

**Octanex N.L.**

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## **RELEASE**

### **OFFER OF 5,000,000 SHARES AND ACCOMPANYING OPTIONS**

#### **BY WAY OF OFFER INFORMATION STATEMENT**

Octanex N.L. (NSX Code: OCT) ("Company") advises that an offer of new Shares (and accompanying free options) ("Offer") is being made by Offer Information Statement ("OIS") to raise minimal funds as a precursor to the Company making application to be admitted to the Official List of ASX Limited ("ASX"), should the OIS achieve its objective of increasing shareholder spread to comply with the spread requirements for listing on ASX.

The Offer is to be made by way of a placement of up to 5,000,000 Shares at an issue price of \$0.20 (20 cents) each. The Offer proposes raising up to \$1,000,000.

Patersons Securities Limited has been appointed Lead Manager to the Offer.

Also, every Share subscribed for under the Offer will have an accompanying free option to acquire an ordinary share in the Company at an exercise price of \$0.25 (25 cents), exercisable at any time up to 31 December 2010 ("Offer Options").

Full details regarding the Offer, the Shares and the Offer Options are contained in the OIS, a copy of which is attached to and forms part of this release.

While Octanex will, for the time being, remain listed on National Stock Exchange of Australia Limited, increasing the spread of shareholders who hold at least 10,000 Shares will more readily satisfy the Listing Rules of ASX, in anticipation of the Company applying to list its securities on ASX.

The funds raised via this OIS will become part of the Group's working capital and thus be available to advance the long term goal of becoming a significant player in the Australian oil and gas exploration and production industry.

By Order of the Board

**J.G. Tuohy**  
Company Secretary

10<sup>th</sup> June 2009

THIS DOCUMENT IS IMPORTANT. IT IS AN OFFER INFORMATION STATEMENT UNDER SECTION 715 OF THE CORPORATIONS ACT 2001 AND IS NOT A PROSPECTUS. IT HAS A LOWER LEVEL OF DISCLOSURE REQUIREMENTS THAN A PROSPECTUS AND INVESTORS SHOULD OBTAIN PROFESSIONAL INVESTMENT ADVICE BEFORE ACCEPTING ANY OFFER OR INVITATION TO SUBSCRIBE FOR SHARES CONTAINED HEREIN.

## **OCTANEX N.L.**

ABN 61 005 632 315

# Offer Information Statement

Offer Information Statement for a placement of up to 5,000,000 Shares at an Issue Price of \$0.20 (20 cents) each to raise up to \$1,000,000 ("the Offer").

Every Share subscribed for under the Offer will have an accompanying free option to acquire an ordinary share in the Company at an exercise price of \$0.25 (25 cents) and exercisable at any time up to 31 December 2010 ("Offer Options").

The Offer is not underwritten. There is no minimum subscription.

Any investment in the Company's shares should be considered speculative.

### **LEAD MANAGER**

**PATERSONS SECURITIES LIMITED**  
(AFSL 239 052)

No securities will be issued or allotted on the basis of this Offer Information Statement ("OIS") later than the expiry date of this OIS which is 10 July 2010 being a date not more than 13 months after the date of this OIS. This OIS is dated 10 June 2009. A copy of this OIS was lodged with the Australian Securities and Investments Commission ("ASIC") on 10 June 2009. Neither ASIC nor any of its officers take any responsibility for the contents of this OIS.

## **DIRECTORS**

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

## **COMPANY SECRETARY**

J G Tuohy

## **REGISTERED OFFICE**

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500 Collins Street,  
Melbourne, Victoria 3000  
Telephone: +61 (03) 8610 4702  
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E-mail: [admin@octanex.com.au](mailto:admin@octanex.com.au)  
Website: [www.octanex.com.au](http://www.octanex.com.au)

## **SHARE REGISTRY**

Link Market Service Limited  
Level 1,  
333 Collins Street,  
Melbourne, Victoria 3000  
Telephone: +61 (03) 9615 9947  
Facsimile: +61 (03) 9615 9744  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## **AUDITORS**

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

## **STOCK EXCHANGE LISTING**

National Stock Exchange of Australia Limited  
Level 3, 45 Exhibition Street, Melbourne, Vic 3000  
Level 2, 117 Scott Street, Newcastle, NSW 2300  
Website: [www.nsx.com.au](http://www.nsx.com.au)

## **LEAD MANAGER**

Patersons Securities Limited  
Level 15,  
333 Collins Street  
Melbourne, Victoria 3000

## **COMPANY NSX CODE**

OCT Ordinary Shares  
OCTOF Options expiring on 30 June 2009

## **COMPANY INCORPORATED IN VICTORIA**

13 March 1980

## **COMPANY WEBSITE**

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

**THE STATEMENTS FOLLOWING IMMEDIATELY BELOW ARE IMPORTANT STATEMENTS THAT APPLICANTS AND POTENTIAL INVESTORS SHOULD READ IN FULL BEFORE CONTINUING FURTHER**

## **FORWARD LOOKING STATEMENTS**

Various statements in this OIS constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this OIS.

## **SUITABILITY OF INVESTMENT AND RISK FACTORS**

Before deciding to invest in the Company, potential investors should read the entire OIS, in particular, the summary of the Company's business and activities in Section 1 and the risk factors in Section 9. They should carefully consider these factors in the light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer, licensed financial adviser or other professional adviser before deciding to invest in any securities that are the subject of this OIS.

## **STRUCTURE OF THIS OFFER INFORMATION STATEMENT**

The content of this OIS is outlined in the Table of Contents on the following page and any reference to a "Section" is a reference to the relevant numbered Section of this OIS. Readers are particularly referred to the definitions (capitalised terms), glossary of technical and industry terms and abbreviations that are contained in Section 12 to assist in their understanding of the contents of this OIS.

## **APPLICATION FOR LISTING ON NSX**

Application will be made for Official Quotation of the securities offered under this OIS on National Stock Exchange of Australia Limited ("NSX"). The fact that NSX may list the securities is not to be taken in any way as an indication of the merits of the Company or the Shares or the Offer Options. NSX takes no responsibility for the contents of this OIS, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this OIS.

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## THE CHAIRMAN'S INVITATION

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Dear Members and Investors

On behalf of the Directors of Octanex N.L. ("Octanex" or "the Company"), I am pleased to present this Offer Information Statement ("OIS") to you, either as an existing Member or a potential new investor in the Company ("Applicants").

This offer of new Shares (and accompanying options) is being made to raise minimal funds and as a precursor to the Company making application to be admitted to the Official List of ASX Limited ("ASX"), should the Offer achieve its objective of increasing shareholder spread to comply with the spread requirements for listing on ASX.

The offer is to be made to Applicants by way of a placement of up to 5,000,000 Shares at an Issue Price of \$0.20 (20 cents) each. The issue proposes raising up to \$1,000,000 ("Offer").

Patersons Securities Limited has been appointed Lead Manager to the Offer.

Also, every Share subscribed for under the Offer will have an accompanying free option to acquire an ordinary share in the Company at an exercise price of \$0.25 (25 cents) and exercisable at any time up to 31 December 2010 ("Offer Options").

At the time of exercise, holders of the Offer Options will be able to exercise them by paying up the full exercise price to receive one fully paid ordinary share in the Company for each option exercised. Alternatively, each Offer Option can be exercised (on or before 31 December 2010) by making an initial payment of \$0.05 (5 cents) per option exercised, with the \$0.20 (20 cents) balance remaining outstanding subject to an initial call of \$0.10 (10 cents) on 31 December 2011 and a further call of \$0.10 (10 cents) on 31 December 2012.

Clearly, holders of the Offer Options will exercise them on the basis that is in their best interests. Although the Offer Options that are exercised on a partly paid basis will be subject to calls, Applicants should note that Octanex is a 'No Liability' company and that the holders of partly paid shares in a 'no liability' company have no contractual obligation to pay calls. They can ignore any call and, as an alternative, merely allow the partly paid share to be sold or be forfeited against them.

Prior to the exercise date of the Offer Options, full details of the provisions of the Company's Constitution and the Corporations Act 2001 ("Act") will be forwarded to Optionholders to enable them to fully consider their position when deciding how or if to exercise their Offer Options.

This OIS provides an opportunity for Members who hold less than 10,000 Shares to increase their holding to that level.

While Octanex will for the time being remain listed on National Stock Exchange of Australia Limited ("NSX"), increasing the spread of shareholders who hold at least 10,000 Shares will more readily satisfy the Listing Rules of ASX, in anticipation of the Company applying to list its securities on ASX. While application will be made for the Shares and Offer Options to be listed on the Stock Market conducted by NSX, no assurance or representation (express or implied) can be given that the Company will subsequently be admitted to the Official List of ASX.

Octanex and its subsidiaries (the "Group" or "Octanex Group") have significant assets. These comprise approximately \$39 million in cash and tradeable investments, significant interests in a series of petroleum exploration permits (each prospective for oil and gas) and an experienced Board of directors and management team. The experience of the Company's personnel has been responsible for the implementation of a series of transactions over the past two years that have given rise to its presently secure financial status.

The funds raised via this OIS will become part of the Group's working capital and thus be available to advance the long term goal of becoming a significant player in the Australian oil and gas exploration and production industry.

The recent merger with Strata Resources N.L. ("Strata") and the acquisition of Exmouth Exploration Pty Ltd ("Exmouth") were important stages in the evolution of Octanex as a developing explorer that is entirely focussed on Australia's offshore sedimentary basins in its search for oil and gas.

The Group's exploration focus is directed at creating value from its asset base by a combination of its own exploration efforts and in joint venture with established or evolving oil exploration and production companies. The transactions with OMV, ENI and Shell that are outlined and discussed in Section 1 show this focussed approach to the industry.

The Octanex Group has an excellent portfolio of interests which, in several instances, are being explored by world-class companies. The Shell and OMV/ENI transactions provide the Group with the capacity to participate in significant drilling operations and, with the Shell transaction in particular, to access the economic upside from any discoveries without incurring further expenditure. Under the OMV/ENI transactions, the Octanex Group has the capacity to require OMV/ENI to acquire the Group's residual interests on terms that are favourable to the Group if OMV/ENI elect to drill any target but Octanex decides not to participate. Thus the portfolio of interests provides an opportunity to share risk with others while at the same time maintaining valuable and significant rights of participation.

Additionally, there are a number of strategically located permits that are 100% owned by the Group.

The Board considers that the Octanex Group's projects and permits provide the possibility of major, 'company-making' discoveries.

You should read this entire OIS and take particular notice of the financial position of the Group, its joint venture arrangements, proposed exploration and development programmes, relevant technical information and the risks that are all set out in the respective Sections that follow. All of these factors will affect the future operations and activities of the Group. As a potential Applicant you should carefully consider these factors in the light of your personal circumstances (including your financial capacity and your investment and risk profile) and, if necessary, seek professional advice from your accountant, stockbroker, lawyer, licensed financial adviser or other professional adviser before deciding to invest in the Shares offered by this OIS.

Through the Group's projects and their management, it has always been and remains the objective of Octanex to provide Members with access to the potential for a just reward in return for the high level of financial risk that attaches to oil and gas exploration. While the Board will always strive to reduce and manage risk, a high level of risk is inherent in many aspects of the Group's activities.

The actions in managing risk include the careful selection of acreage, conservative bidding, significant initial positions, highly cost competitive exploration, alliancing, farming out obligations and a propensity to deal interests in order to reduce or spread risk.

The Board invites you to subscribe for Shares in Octanex if you are not a shareholder or, if you are already a shareholder, we urge you to increase your shareholding to a minimum of 10,000 Shares, thus assisting the Company in its endeavour to apply to list its securities on ASX.

Yours faithfully



**E.G Albers**  
Chairman

10 June 2009



## SECTION 1

### THE COMPANY'S BUSINESS AND ACTIVITIES

Octanex, by itself and through its wholly-owned subsidiaries, holds working interests in 10 petroleum exploration permits and residual and royalty interests in 3 such permits, all situated in the offshore basins of Australia and with a concentration of these permits on the Greater North West Shelf offshore from Western Australia. These permits are located in regions of intense exploration activity.

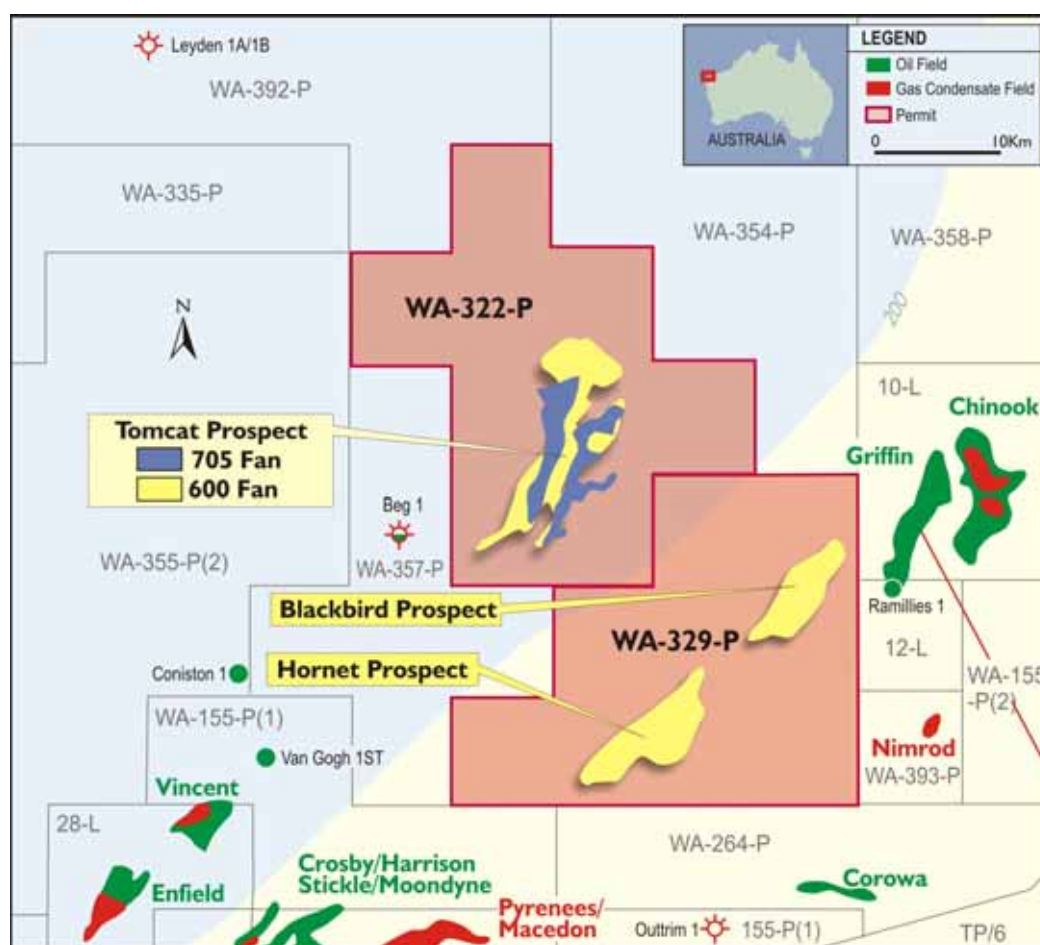
References to the Octanex Group are references to Octanex and its wholly-owned subsidiaries following the merger of Octanex and Strata (via a scheme of arrangement) and the acquisition of Exmouth. Those arrangements were finalised on 20 March 2009 through the merger process and associated proposals approved by Members in general meeting. The policy underlying the management of the Octanex Group permits, investments and interests is a cohesive policy which, insofar as is practical and both legally and commercially expedient, does not differentiate between whether they are owned by Octanex directly, or indirectly through one or more of its wholly-owned subsidiaries.

Five of the permits in which interests are held by the Octanex Group are located in the Exmouth Sub-basin (WA-322-P, WA-329-P, WA-384-P, WA-385-P and WA-394-P), with a further four permits located on the Exmouth Plateau (WA-362-P, WA-363-P, WA-386-P and WA-387-P). Two of the permits are located in the Dampier Sub-basin (WA-323-P and WA-330-P), while the two remaining permits (EPP34 and Vic/P61) are located in the Otway Basin, offshore of South Australia and Victoria respectively.

## BUSINESS AND OPERATIONS

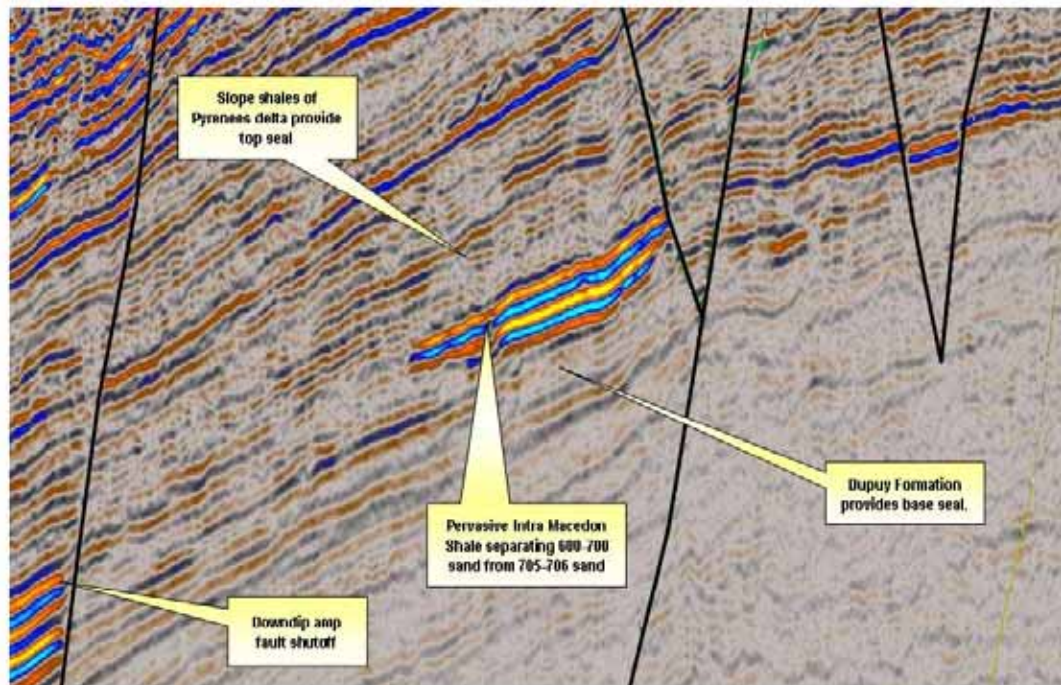
### WA-322-P and WA-329-P, Exmouth Sub-basin

The WA-322-P and WA-329-P permits are situated in the Exmouth Sub-basin and displayed in the location map below. The Octanex Group holds a 100% interest in both permits and they are in year-5 of their permit terms.



**Permit and Prospects Map for WA-322-P and WA-329-P**

The Octanex Group holds a substantial amount of 3D seismic over WA-322-P, including approximately 640 km<sup>2</sup> of 3D acquired as part of the HCA04A Marine Seismic Survey ("MSS"). We are in the process of interpreting and reassessing prospectivity in the permit, with an emphasis on the Tomcat Prospect, a Lower Barrow oil play - see map on previous page and seismic amplitude map below.



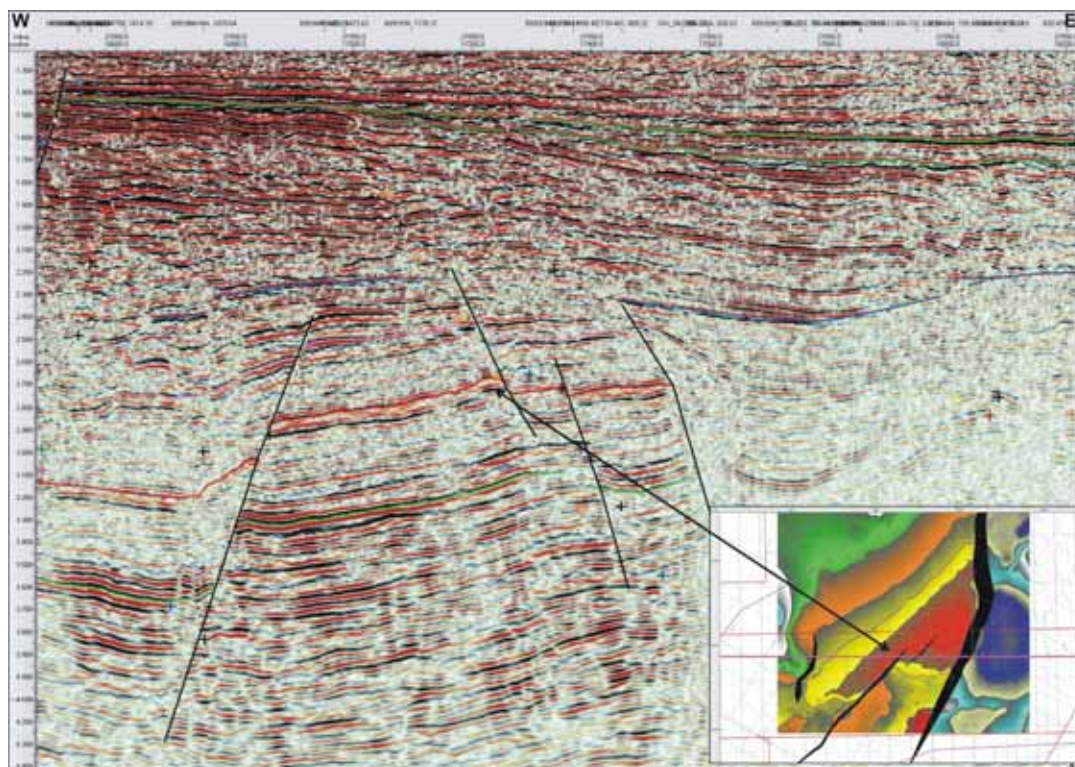
**Tomcat Submarine Fan Play – WA-322-P**

As with WA-322-P, the Octanex Group holds substantial 3D seismic in WA-329-P, with coverage over 95% of the permit. This data includes approximately 107 km<sup>2</sup> acquired as part of the same HCA04A MSS, as well as the reprocessed Swell-Baylis 3D MSS dataset of some 800 km<sup>2</sup>.

Octanex is in the process of interpreting and reassessing prospectivity in the permit, with a number of Triassic features being followed up. The main prospects, Blackbird and Hornet, are displayed in the location map above and in the graphics on the following page.

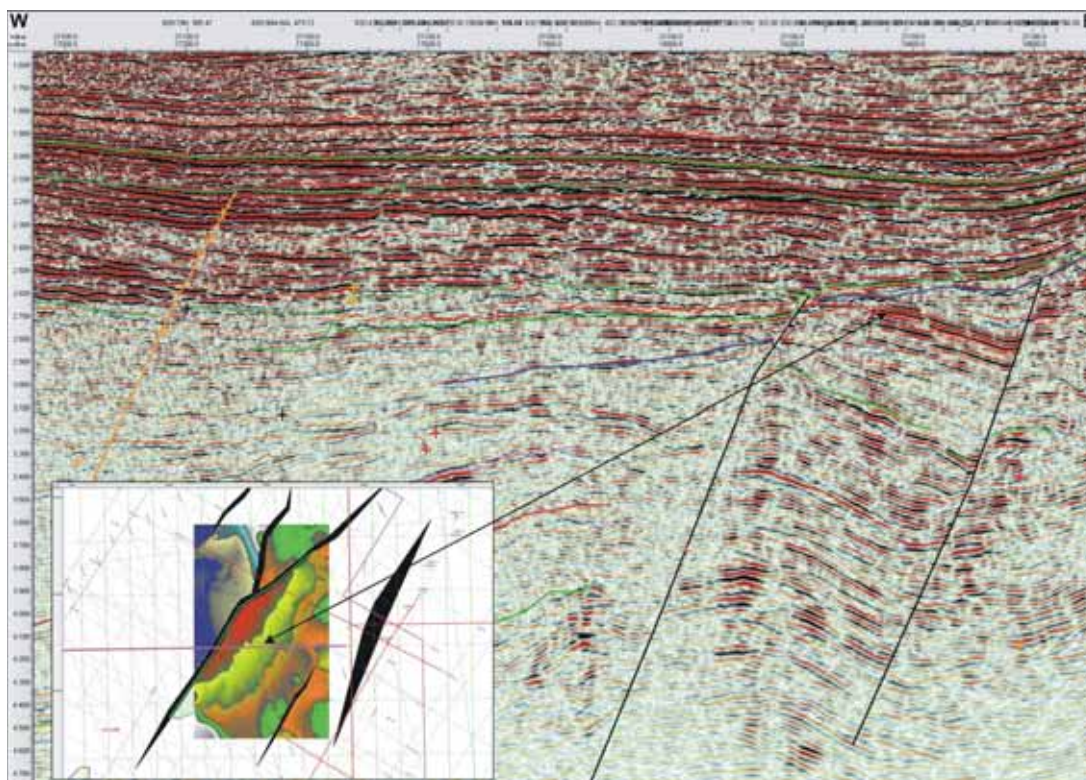
The prospects within WA-329-P are gas/condensate targets, strategically located offshore from Onslow, the site of two proposed LNG processing plants involving each of BHP and Chevron.





***Blackbird Prospect WA-329-P***

The Blackbird Prospect is interpreted as a 40 km<sup>2</sup> faulted Triassic closure, with a maximum closure height of 350m, with the top of the closure at 3,985m sub-seabed, in a water depth of 165m. Estimates of scope for recovery are in the range of 1.65TCF to 2.68TCF of gas, together with a condensate contribution.



***Hornet Prospect WA-329-P***

The Hornet Prospect is interpreted as a 28 km<sup>2</sup> faulted Triassic closure, with a maximum closure height of 750m, with the top of the closure at 4,285m sub-seabed, in a water depth of 165m. Estimates of scope for recovery are in the range of 1.32TCF to 2.01TCF of gas, together with a condensate contribution.



The work programmes for year-5 are the same for each of permits WA-322-P and WA-329-P and involve the acquisition of 3D seismic data relevant to the respective areas and geotechnical studies. These work programmes are, for all intents and purposes, completed.

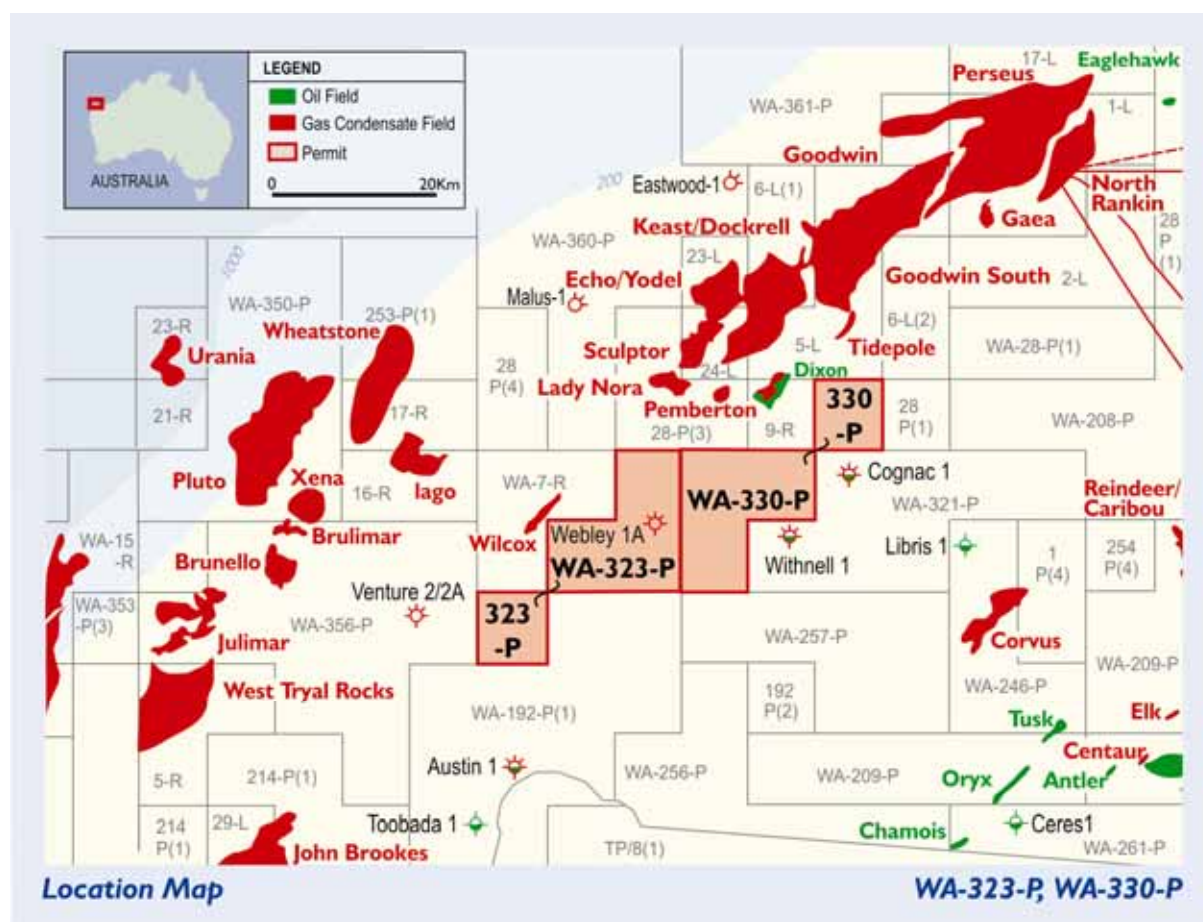
The year-6 work programme for each permit is to drill one well. No decision has yet been made to enter year-6 of either permit, or to commit to the drilling of either well. The Company has sought a variation of the year-6 work programme obligations for both WA-322 and WA-329-P. If granted, the variations will substitute an obligation to conduct general and geophysical studies in both permits.

The Company is unable to advise when a decision will be made by the Designated Authority in relation to the variation applications. If the variations are not granted, the Company will not enter year-6 of either permit unless the well obligation for that permit has been farmed out. As a consequence, until a decision is made to enter year-6 of either or both of WA-322-P and WA-329-P, the Company has no exposure to costs, only a risk of having to withdraw from either or both permits if the relevant variation is not granted.

### WA-323-P and WA-330-P, Dampier Sub-basin

The WA-323-P and WA-330-P permits comprise the Dampier Project. They are also both held 100% by the Octanex Group and are in year-5 of their permit terms.

The Dampier Project consists of these two contiguous permits (see location map below) that comprise a discrete area for exploration of 640 kms<sup>2</sup>. Previously, the Octanex Group shot the Tourmaline Seismic Survey of 1,578 line km of new 2D seismic over WA-323-P, WA-330-P and the adjacent WA-321-P permit. The WA-321-P permit has since been relinquished.

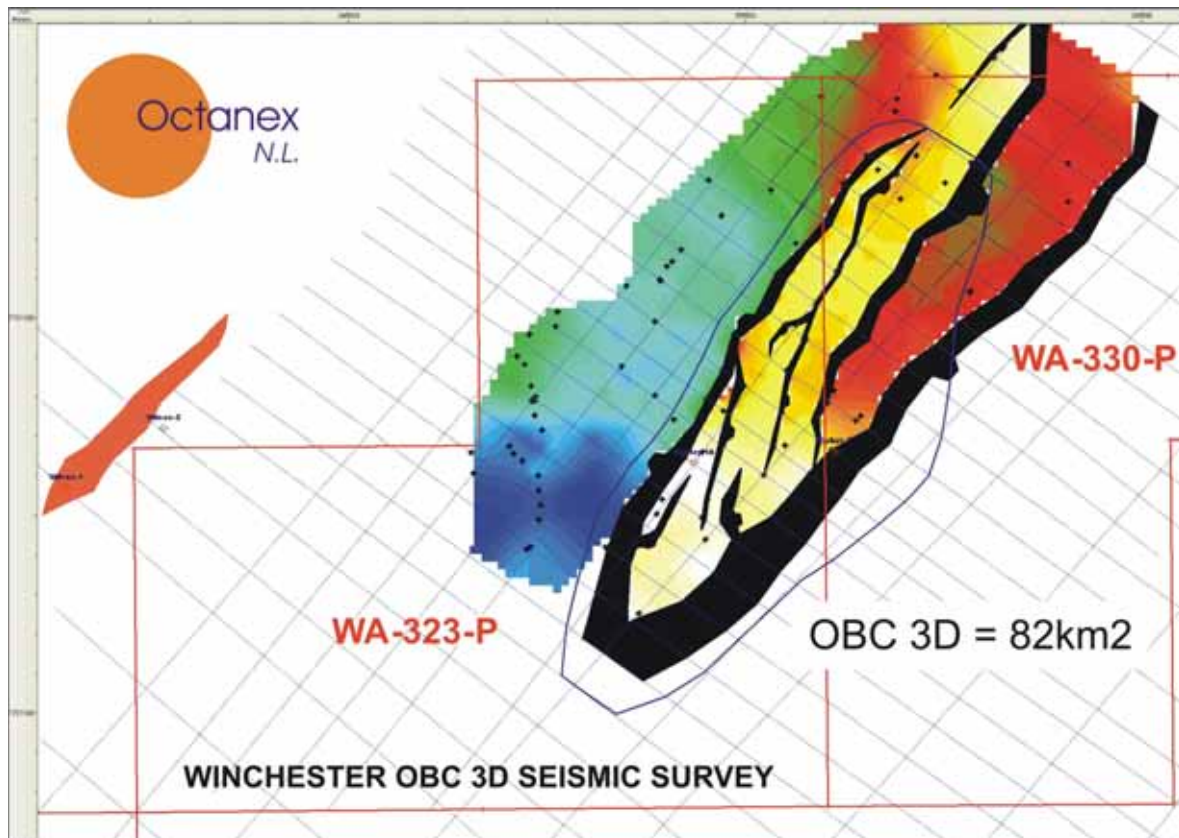


The work programmes underway during year-5 require the completion of 2D seismic surveys in each permit, the interpretation of the new seismic data acquired by those surveys and its integration with existing data, plus ongoing geotechnical studies.

The year-6 work programme for each permit is to drill one well. The Company sought and has been granted a variation of the permit term for both WA-323 and WA-330-P, such that Year 5 has been extended to 21 December 2009. Work to identify suitable drilling targets is centred on the Winchester Prospect which straddles both permits.

The main area of exploration focus is the Parker/Webley faulted horst structure. This feature has been identified and named the Winchester Prospect. The Parker/Webley horst is seen as having potential for Triassic structural traps. Additional exploration potential is present on the Wilcox/Rankin fault block trend in the northwest part of WA-323-P, where AVO anomalies have been interpreted to occur in sands of Triassic age, similar to those penetrated in the Wilcox-1 well to the southwest.

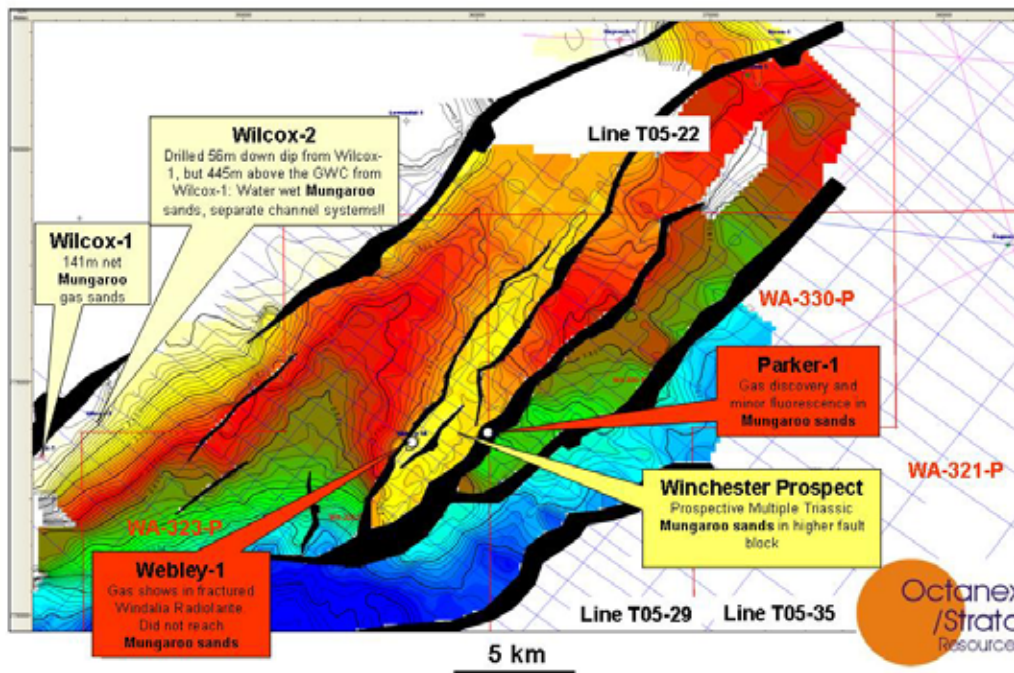
In meeting the year-5 work programme commitment to acquire new seismic data, the Octanex Group entered into a US\$9.75 million agreement with Geokinetics (Australasia) Pty Ltd and acquired an off-bottom cable ("OBC") 3D seismic survey within both permits and over the Winchester Prospect. The total outline area of the survey was 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 surveyed area will provide further but less intensive seismic data (see survey map following). Sophisticated processing of the Winchester OBC 3D seismic data followed the acquisition and this work is ongoing at the date of this OIS.



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 of Lambert, Wanaea and Cossack are in the north of the region. Recently, new and sizeable gas discoveries have been made at Julimar, Brunello, Brulimar, Xena, Pluto and Wheatsone, to the immediate north and west of the permits, while the Lady Nora and Pemberton discoveries have been made to the north.

The aim of the Octanex Group is to determine whether there is a large and viable structure at Winchester, with potential Triassic Mungaroo reservoirs and with sufficient potential for liquids rich gas to warrant drilling. In the vicinity of Winchester there are two wells and five penetrations that include side-tracks ("ST"), Parker-1 & ST1 (1979/80) and Webley-1, ST1 & 1A (1998/99) – see the well locations on the "Winchester Prospect" map following.

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



The Company believes the Parker well penetrations in 1979/80, made by Woodside, 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 deeper Jurassic/Triassic targets. The target previously seen by others in the Webley well remains undrilled.

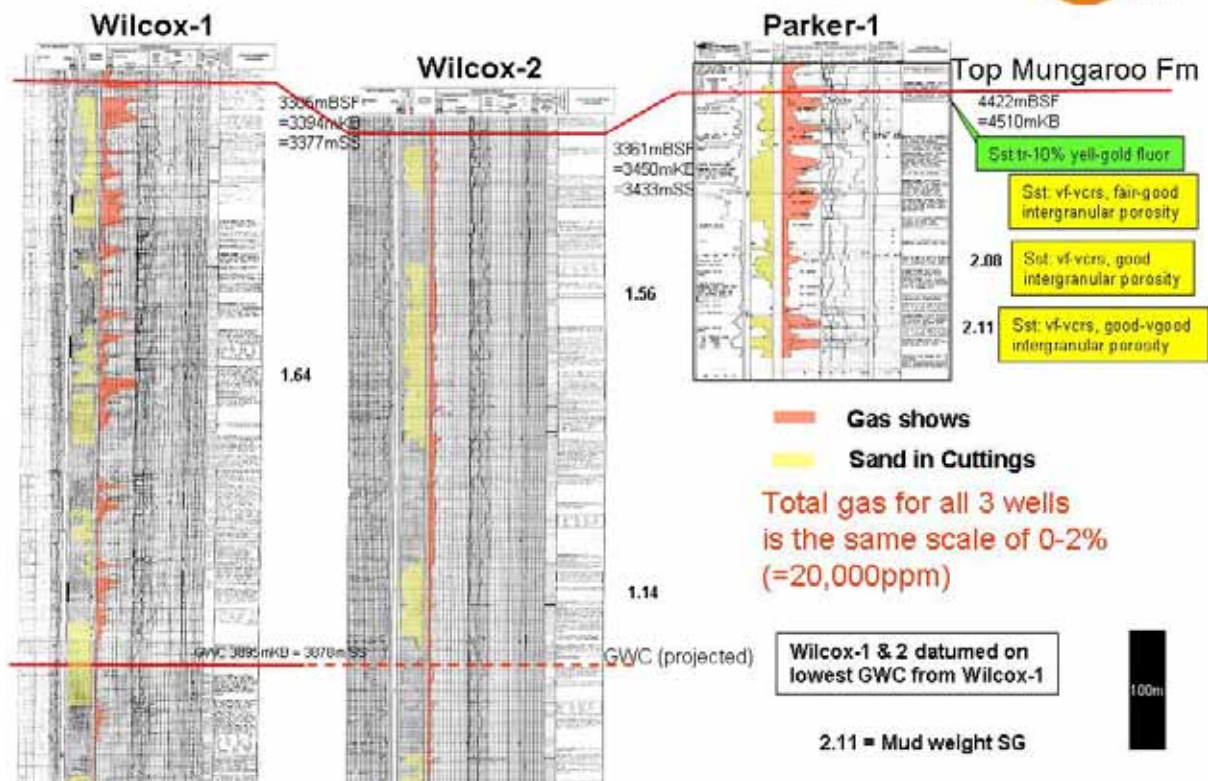
The Parker-1 & ST1 well penetrated thick Middle Jurassic shales in the hanging wall of a fault terrace before crossing the fault into stacked sands in the footwall block. These sands persisted to target depth ("TD") and, although interpreted as Early Jurassic at the time of drilling, they have been subsequently dated as Late Triassic in age and belong to the prospective Mungaroo Formation. Due to drilling problems the sandy Mungaroo section was not logged. The well was then side-tracked but again the sands were not logged, this time due to rig stability (an anchor chain broke) and subsequent drilling problems. The sands in the Parker-1 well and Parker-ST1 both contained strong gas shows – refer to the comparative log data in the next graphic.

Regional geological studies, including well and seismic correlations, indicate the potential for the Triassic Mungaroo sands to occur higher within the Parker/Webley horst structure, well above the Parker-1 & ST1 penetration of Triassic sands through the footwall fault. The Company therefore considers the Parker-1 & ST1 penetrations were a Triassic gas discovery in the Mungaroo Formation sands.

The Winchester Prospect comprises a fault block trap with stacked sand/shale reservoir/seal pairs, as occurs in the adjacent Wilcox Field, but the extent of the closure to the north-east along the Parker/Webley horst is not well defined on the existing Parker 3D and recently acquired Tourmaline 2D seismic surveys. It is likely a combination of structural dip to the northeast and lateral sealing of fluvial channel sands as occurs in the Wilcox Field. A combination of multi-stacked reservoir seal pairs within the Parker/Webley horst structure provides the potential for a significant gas accumulation within the Winchester Prospect.



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



The prime purpose for the acquisition of the Winchester OBC 3D seismic survey was to improve seismic resolution over the Winchester Prospect and enable better definition of trap and closure. The above log data diagram illustrates the gas shows in the Parker-1 well compared with the similar gas shows in the Wilcox-1 gas discovery and the absence of shows in the dry Wilcox-2 well.

As well as providing a gas log comparison to the Parker-1 well gas shows, the Wilcox-1 well provides encouragement for the concept that the Winchester Prospect may contain a liquids rich gas. The comparative gas log data suggests that gas from the Wilcox-1 well carries 66 to 79 barrels of condensate per million cubic feet of gas. Such a ratio would be a highly attractive element in any decision to test the Winchester feature, as the liquids would constitute a value approximately equivalent to the value of the gas.

In summary, the Octanex Group has undertaken the Winchester OBC 3D seismic survey, incurring a substantial cost obligation (US\$9.75 million) for that survey, with the specific purpose of being able to better visualise structure and stratigraphy over the Winchester Prospect. This has been done in anticipation that Winchester may amount to a sizeable and attractive drilling target.

The proximity to WA-323-P and WA-330-P of existing infrastructure and likely future infrastructure extensions, as well as new infrastructure, bodes well for any discovery that may be made, whether that be oil or gas. Significant future demand for gas to supply both domestic demand and the proposed Wheatstone and Pluto LNG developments are anticipated. Therefore, any potential gas discovery made in the permits is seen as being valuable and capable of monetisation, particularly so if such a gas discovery were to be rich in gas liquids.

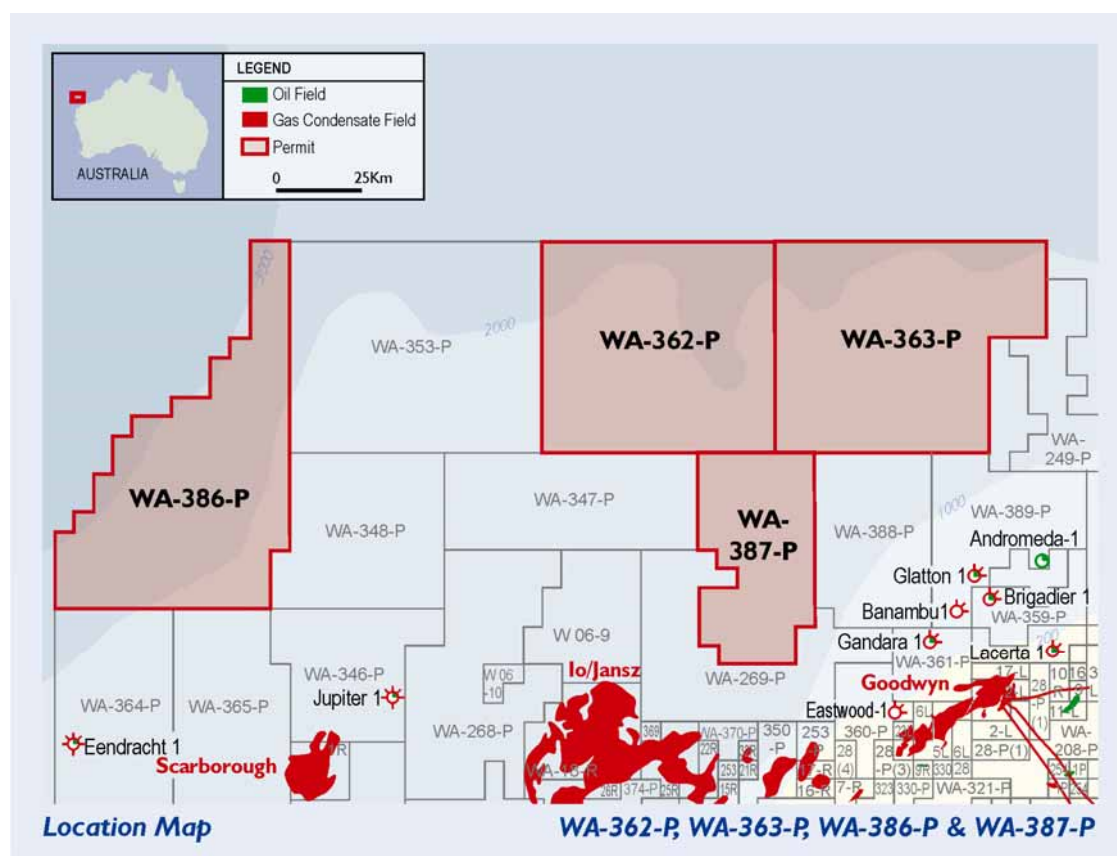


## WA-362-P, WA-363-P, WA-386-P and WA-387-P, Exmouth Plateau

The Joint Ventures that operate these four permits consist of:

|                       |                  |
|-----------------------|------------------|
| OMV Australia Limited | 30% and Operator |
| ENI Australia Limited | 30%              |
| Octanex Group         | 40%              |

The four permits, which cover an aggregate area of approximately 37,795 km<sup>2</sup>, are on the northern margin of the Exmouth Plateau, 300 to 400 kms north-west of the Western Australian coastline (see the location map below). 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.



In August 2007, three Octanex Group companies entered into four separate Joint Ventures ("JV's") with OMV Australia Limited ("OMV") and ENI Australia Limited ("ENI"), one relating to each of WA-362-P, WA-363-P, WA-386-P and WA-387-P. The Octanex Group now holds an aggregate 40% interest in all of these permits and in their respective JV's.

As part of the farmin arrangements whereby OMV and ENI acquired their interests and the JV's were established, the Octanex Group companies agreed to assign a 60% interest in each permit for a monetary amount while retaining a 40% interest. For their part, OMV and ENI agreed to acquire and process sufficient 2D seismic data in each permit that would meet all the current and future seismic work obligations for all four permits. From the outset, OMV and ENI indicated their intention to comprehensively explore these four Exmouth Plateau permits and, to that end, they have acquired approximately 7,407 km of new 2D seismic data, known as the Klimt 2D Marine Seismic Survey. These data are currently being interpreted by for the JV's by OMV.

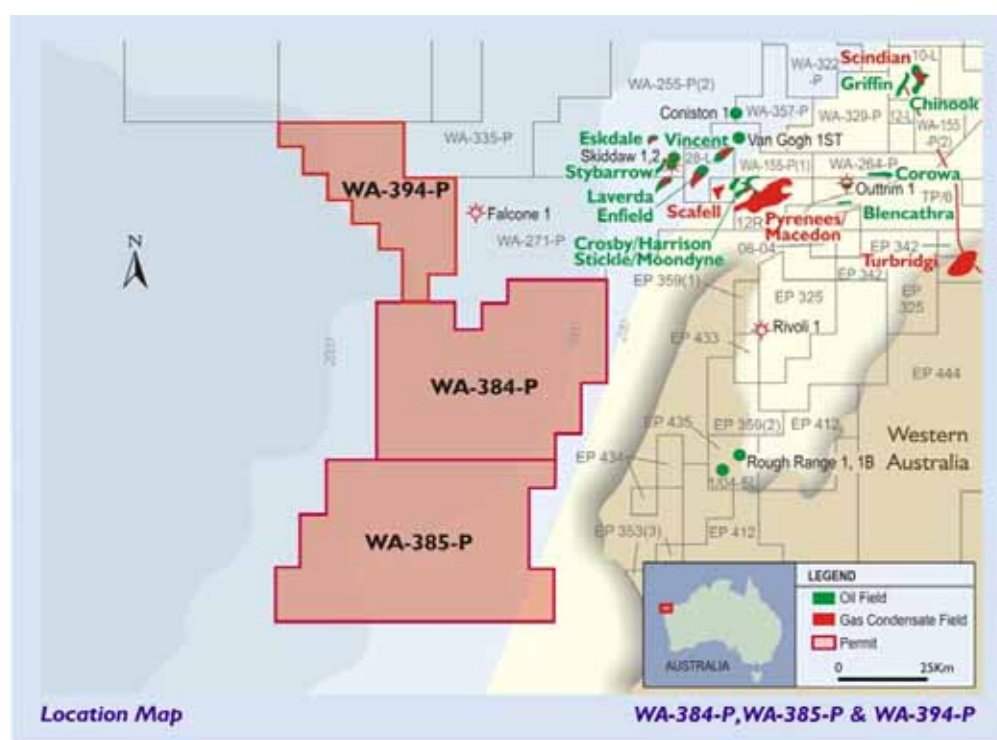
The next decision point for OMV and ENI is that by 1 January 2010 they must commit to the drilling of a well in any one of the permits or re-assign their entire 60% interest in all four permits back to the Octanex Group.

Under the terms of the farmin agreement, OMV and ENI also have the right to earn a further 20% interest in each permit from the Octanex Group companies by electing to commit to a well in a permit and agreeing to meet all the costs of the first two wells that they may elect to drill in that permit. This would leave the Octanex Group with a residual 20% interest in each permit where such a commitment has been made.

The final leg of the farmin arrangements provides that, if the Octanex Group does not wish to participate in a well (i.e. by being carried through its share of drilling costs) that OMV and ENI may elect to drill at their discretion on any one of the four permits, the Octanex Group has a right, exercisable within 60 days of receiving a formal notice from OMV and ENI of their intention to drill a well, to elect to assign the 40% interest in the relevant permit to OMV and ENI for US\$16,000,000. This option is available to the Octanex Group in each of the four permits.

### **WA-384-P, WA-385-P and WA-394-P, Southern Exmouth Sub-basin**

WA-384-P, WA-385-P and WA-394-P are located in the southern Exmouth Sub-basin, offshore of Western Australia - the permits are shown on the map below. The Octanex Group originally held a 100% interest in all three permits.



In February 2008, Octanex Group companies entered into agreements with Shell Development (Australia) Pty Ltd ("Shell") for the disposition to Shell of a 100% working interest in the permits but retained certain rights. As part of the sale arrangements, and in order to meet the work programme obligations of the permits, Shell was required to acquire new seismic data in each one of them. This has been done and 3,440 kms of new 2D seismic data was acquired by the Guacamole Survey.

Specifically, under the sale agreements with Shell:

- Shell paid Octanex Group companies US\$30,000,000.
- Shell has agreed it must either commit to a well before the start of year-5 of the permit (21 August 2010 in the case of WA-384-P and WA-385-P and 21 February 2011 in the case of WA-394-P) or reassign the 100% interest for nil consideration for any permit where no well commitment is made.

- Shell has agreed to make two tranches of Discovery Payments (as described below) to the Octanex Group for any Discovery (as defined in the agreement) made in a permit but limited to a maximum of three Discovery Payments per permit. Within six months of having made a Discovery Shell must either:
  - (a) Pay US\$5,000,000 to the Octanex Group; or
  - (b) Reassign to the Octanex Group a 100% interest in the permit in which the Discovery was made.
- Following an initial Discovery Payment as described above, if Shell:
  - (a) spuds an appraisal well in respect of the Discovery; or
  - (b) applies for a production licence or retention lease in respect of any Discovery;
 then Shell must pay a further US\$5,000,000 to the Octanex Group.
- Shell has also granted the Octanex Group a 1% Overriding Royalty (as defined in the agreement) payable on the basis of the gross assessable petroleum receipts recovered from a permit.
- If at any time Shell wishes to exit from any of the three permits, a 100% interest in the relevant permit must be offered back to the Octanex Group.

Shell is a world class operator and is committed to the conduct of a thorough assessment of the exploration potential of the three permits. While the Octanex Group no longer has any direct equity interest in the permits, it retains significant access to the upside exploration potential in them through the mechanism of the Discovery Payments and the Overriding Royalty as described above.

### **EPP 34, Otway Basin**

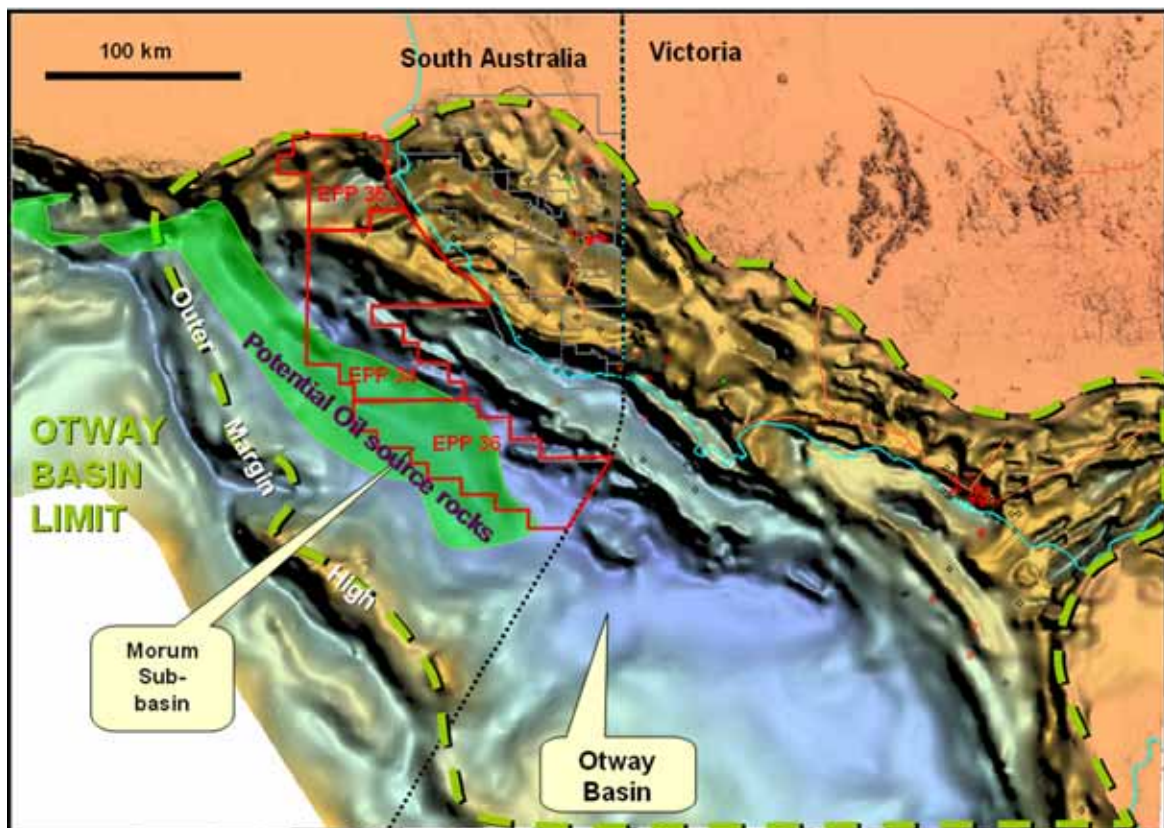
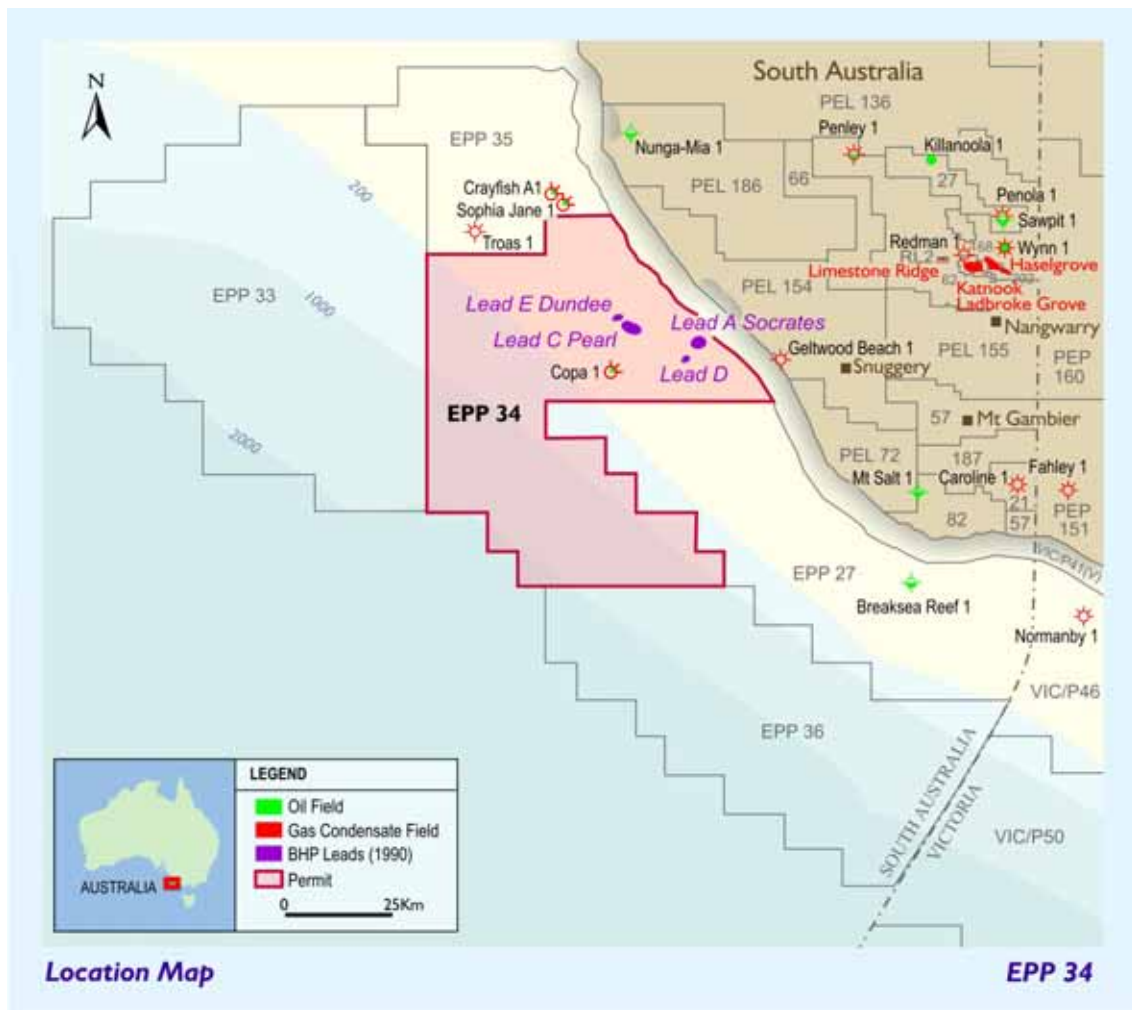
The Joint Venture that operates the EPP 34 permit consists of the following parties and the other participants are all Director-related parties of Octanex:

|                         |                  |
|-------------------------|------------------|
| Exoil Limited           | 25% and Operator |
| Octanex Group           | 30%              |
| Moby Oil & Gas Limited  | 20%              |
| National Energy Pty Ltd | 25%              |

In Q2 2008, an 1,100 km seismic grid of new 2D data was acquired in EPP 34 as the Trocopa 2D Seismic Survey. Processing of this data, in conjunction with reprocessing of more than 1,500 km of old data, is continuing. Interpretation of the seismic data has focused on the northern shelfal section of the block, targeting the Early Cretaceous Pretty Hill Sandstone.

Parts of EPP 34 are parallel to the Morum Sub-basin. The permit is thought to have excellent reservoir potential for stacked plays in thick Upper Cretaceous section. Because of its proximity to the Morum Sub-basin, EPP 34 is postulated to have scope for marine influenced source rock in deep water.

The new seismic data acquired by the Trocopa Survey and the reprocessed older data is expected to provide extensive modern 2D coverage in the northern part of the permit, and open up to the Joint Venture the possibility of a series of gas and oil plays.





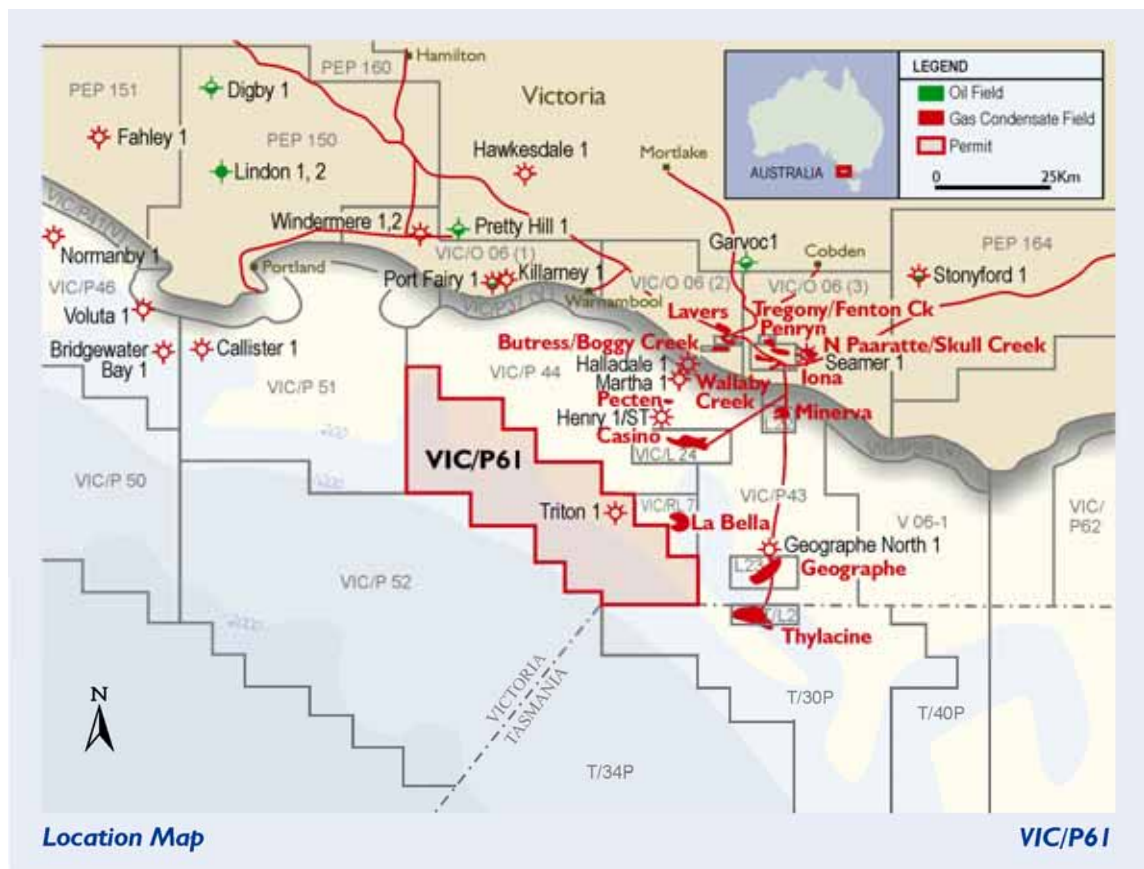
## Vic/P61, Otway Basin

The Joint Venture that operates the Vic/P61 permit consists of the following parties and the other participants are all Director-related parties of Octanex:

|                           |                                |
|---------------------------|--------------------------------|
| Exoil Limited             | 30% and Operator               |
| Gascorp Australia Pty Ltd | 30%                            |
| Moby Oil & Gas Limited    | 20% earning pursuant to farmin |
| Octanex Group             | 20% earning pursuant to farmin |

Vic/P61 is in the offshore Otway Basin some 50 to 60 kilometres south-west of Port Campbell. The area comprises 30 graticular blocks covering approximately 1,874 kms<sup>2</sup> and is situated on the shelf margin of the Basin where water depths vary between 80 and 500m. The permit's eastern boundary is close to gas discoveries and new developments at Minerva, Geographe, Thylacine and Casino. Seismic surveys over the permit are entirely 2D and vary in quality and extent.

The Octanex Group has agreed to earn a 20% interest in Vic/P61 in return for meeting a 20% 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.





**SECTION 2**  
**EXPLORATION PERMIT WORK OBLIGATIONS**

| <b>Petroleum<br/>Exploration<br/>Permit No.</b> | <b>Title Holders</b>   | <b>Locality<br/>Offshore<br/>Basin</b> | <b>Term</b> | <b>Commencement<br/>Date</b> | <b>Current Expiry<br/>Date</b> | <b>Minimum Work<br/>Requirements</b>   | <b>Notes</b>   |
|---|--|--|-------------|------------------------------|--------------------------------|--|--|
| WA-322-P  | United Oil & Gas Pty Ltd<br>(50:50 subsidiary of Octanex and Strata) | Exmouth<br>Sub-basin                   | 6 Years     | 22 March 2002                | 21 March 2003                  | Year 1: Data Review  | Completed  |
|   |  |  |             | 22 March 2003                | 21 September 2005              | Year 2: 250 km <sup>2</sup> 3D Seismic<br>Survey                               | Completed  |
|   |  |  |             | 22 September 2005            | 21 September 2006              | Year 3: Seismic<br>Interpretation & Studies                                    | Completed  |
|   |  |  |             | 22 September 2006            | 21 September 2007              | Year 4: Office Studies   | Completed  |
|   |  |  |             | 22 September 2007            | 21 March 2009                  | Year 5: Geotechnical<br>Studies & Purchase 3D<br>Seismic Data.                 | Committed To and<br>Under Suspension<br>and Extension<br>Application |
|   |  |  |             | 22 March 2009                | 21 March 2010                  | Year 6: Drill One Well   | Under Variation<br>Application                                       |
| WA-329-P  | United Oil & Gas Pty Ltd<br>(50:50 subsidiary of Octanex and Strata) | Exmouth<br>Sub-basin                   | 6 Years     | 5 September 2002             | 4 September 2003               | Year 1: Data Review,<br>Acquisition of 3D Seismic<br>Data & Geoscience Studies | Completed  |
|   |  |  |             | 5 September 2003             | 4 September 2004               | Year 2: 100 km <sup>2</sup> 3D Seismic<br>Survey                               | Completed  |
|   |  |  |             | 5 September 2004             | 4 September 2005               | Year 3: Seismic<br>Interpretation & Geoscience<br>Studies                      | Completed  |
|   |  |  |             | 5 September 2005             | 4 September 2007               | Year 4: Office Studies   | Completed  |
|   |  |  |             | 5 September 2007             | 21 March 2009                  | Year 5: Geotechnical<br>Studies & Purchase 3D<br>Seismic Data                  | Committed To and<br>Under Suspension<br>and Extension<br>Application |
|   |  |  |             | 22 March 2009                | 21 March 2010                  | Year 6: Drill One Well   | Under Variation<br>Application                                       |

| Petroleum Exploration Permit No. | Title Holders  | Locality Offshore Basin | Term    | Commencement Date | Current Expiry Date | Minimum Work Requirements  | Notes                       |
|----------------------------------|--|-------------------------|---------|-------------------|---------------------|--|-----------------------------|
| WA-323-P                         | Octanex Group<br>(Octanex and Strata hold equal interests) | Dampier Sub-basin       | 6 Years | 22 March 2002     | 21 March 2003       | Year 1: Data Review  | Completed                   |
|                                  |  |                         |         | 22 March 2003     | 21 March 2004       | Year 2: Reprocess 180 km <sup>2</sup> of 3D Seismic Data                                   | Completed                   |
|                                  |  |                         |         | 22 March 2004     | 21 March 2006       | Year 3: 400 km 2D Seismic Survey   | Completed                   |
|                                  |  |                         |         | 22 March 2006     | 21 March 2008       | Year 4: Magnetic Impulse Survey & Studies  | Completed                   |
|                                  |  |                         |         | 22 March 2008     | 21 December 2009    | Year 5: 400 km New 2D Seismic Survey   | Completed via OBC 3D Survey |
|                                  |  |                         |         | 22 December 2009  | 21 December 2010    | Year 6: Drill One Well   |                             |
| WA-330-P                         | Octanex Group<br>(Octanex and Strata hold equal interests) | Dampier Sub-basin       | 6 Years | 5 September 2002  | 4 September 2003    | Year 1: Data Review & Geoscience Studies   | Completed                   |
|                                  |  |                         |         | 5 September 2003  | 4 September 2004    | Year 2: Reprocess 240 km <sup>2</sup> of 3D Seismic Data, Seismic Interpretation & Studies | Completed                   |
|                                  |  |                         |         | 5 September 2004  | 4 March 2006        | Year 3: 400 km 2D Seismic Survey   | Completed                   |
|                                  |  |                         |         | 5 March 2006      | 4 March 2008        | Year 4: Magnetic Impulse Survey & Geotechnical Studies                                     | Completed                   |
|                                  |  |                         |         | 5 March 2008      | 21 December 2009    | Year 5: 100 km New 2D Seismic Survey & Geotechnical Studies                                | Completed via OBC 3D Survey |
|                                  |  |                         |         | 22 December 2009  | 21 December 2010    | Year 6: Drill One Well   |                             |

| Petroleum Exploration Permit No. | Title Holders  | Locality Offshore Basin | Term    | Commencement Date | Current Expiry Date | Minimum Work Requirements              | Notes        |
|----------------------------------|--|-------------------------|---------|-------------------|---------------------|--|--------------|
| WA-362-P                         | OMV Australia Limited<br>ENI Australia Limited<br>Octanex Group<br>(Octanex, Strata and Exmouth each hold an interest) | Exmouth Plateau         | 6 Years | 22 June 2005      | 21 June 2006        | Year 1: Geotechnical +Studies          | Completed    |
|                                  |  |                         |         | 22 June 2006      | 21 June 2007        | Year 2: 2D Seismic Reprocessing        | Completed    |
|                                  |  |                         |         | 22 June 2007      | 21 June 2008        | Year 3: 1,100 km New 2D Seismic Survey | Completed    |
|                                  |  |                         |         | 22 June 2008      | 21 June 2009        | Year 4: Seismic Interpretation         | Committed To |
|                                  |  |                         |         | 22 June 2009      | 21 June 2010        | Year 5: Geotechnical Studies           |              |
|                                  |  |                         |         | 22 June 2010      | 21 June 2011        | Year 6: Drill One Well                 |              |
| WA-363-P                         | OMV Australia Limited<br>ENI Australia Limited<br>Octanex Group<br>(Octanex, Strata and Exmouth each hold an interest) | Exmouth Plateau         | 6 Years | 22 June 2005      | 21 June 2006        | Year 1: Geotechnical Studies           | Completed    |
|                                  |  |                         |         | 22 June 2006      | 21 June 2007        | Year 2: 2D Seismic Reprocessing        | Completed    |
|                                  |  |                         |         | 22 June 2007      | 21 June 2008        | Year 3: 1,100 km New 2D Seismic Survey | Completed    |
|                                  |  |                         |         | 22 June 2008      | 21 June 2009        | Year 4: Seismic Interpretation         | Committed To |
|                                  |  |                         |         | 22 June 2009      | 21 June 2010        | Year 5: Geotechnical Studies           |              |
|                                  |  |                         |         | 22 June 2010      | 21 June 2011        | Year 6: Drill One Well                 |              |

| Petroleum Exploration Permit No. | Title Holders   | Locality Offshore Basin | Term    | Commencement Date | Current Expiry Date | Minimum Work Requirements                | Notes        |
|----------------------------------|---|-------------------------|---------|-------------------|---------------------|--|--------------|
| WA-386-P                         | OMV Australia Limited<br>ENI Australia Limited<br>Octanex Group<br>(Exmouth holds the interest) | Exmouth Plateau         | 6 Years | 21 August 2006    | 20 August 2007      | Year 1: Geological & Geophysical Studies | Completed    |
|                                  |   |                         |         | 21 August 2007    | 20 August 2008      | Year 2: Mapping and Interpretation       | Completed    |
|                                  |   |                         |         | 21 August 2008    | 20 August 2009      | Year 3: 1,400 km New 2D Seismic Survey   | Completed    |
|                                  |   |                         |         | 21 August 2009    | 20 August 2010      | Year 4: Seismic Interpretation           | Committed To |
|                                  |   |                         |         | 21 August 2010    | 20 August 2011      | Year 5: Geotechnical Studies             |              |
|                                  |   |                         |         | 21 August 2011    | 20 August 2012      | Year 6: Drill One Well                   |              |
| WA-387-P                         | OMV Australia Limited<br>ENI Australia Limited<br>Octanex Group<br>(Exmouth holds the interest) | Exmouth Plateau         | 6 Years | 21 August 2006    | 20 August 2007      | Year 1: Geological & Geophysical Studies | Completed    |
|                                  |   |                         |         | 21 August 2007    | 20 August 2008      | Year 2: Mapping and Interpretation       | Completed    |
|                                  |   |                         |         | 21 August 2008    | 20 August 2009      | Year 3: 1,400 km New 2D Seismic Survey   | Completed    |
|                                  |   |                         |         | 21 August 2009    | 20 August 2010      | Year 4: Seismic Interpretation           | Committed To |
|                                  |   |                         |         | 21 August 2010    | 20 August 2011      | Year 5: Geotechnical Studies             |              |
|                                  |   |                         |         | 21 August 2011    | 20 August 2012      | Year 6: Drill One Well                   |              |

| Petroleum Exploration Permit No. | Title Holders  | Locality Offshore Basin | Term    | Commencement Date | Current Expiry Date | Minimum Work Requirements  | Notes                                      |
|----------------------------------|--|-------------------------|---------|-------------------|---------------------|--|--|
| EPP34                            | Exoil Limited<br>Moby Oil & Gas Limited<br>National Energy Pty Ltd<br>United Oil & Gas Pty Ltd<br>(50:50 subsidiary of Octanex and Strata)               | Otway Basin             | 6 Years | 25 March 2004     | 24 March 2005       | Year 1: Data Collection and Mapping  | Completed                                  |
|                                  |  |                         |         | 25 March 2005     | 24 March 2006       | Year 2: Reprocess Existing 2D Seismic Data, Mapping and Geological Studies | Completed                                  |
|                                  |  |                         |         | 25 March 2006     | 24 June 2008        | Year 3: Acquire 600 kms of New 2D Seismic                                  | Completed                                  |
|                                  |  |                         |         | 25 June 2008      | 24 June 2009        | Year 4: Seismic Interpretation, Mapping and Studies                        | Committed To                               |
|                                  |  |                         |         | 25 June 2009      | 24 June 2010        | Year 5: Drill One Well   |  |
|                                  |  |                         |         | 25 June 2010      | 24 June 2011        | Year 6: Studies Review   |  |
| VIC/P61                          | Exoil Limited<br>Gascorp Australia Pty Ltd<br>Moby Oil & Gas Limited<br>Octanex Group<br>(Octanex and Strata earning equal interests pursuant to farmin) | Otway Basin             | 6 Years | 8 February 2005   | 7 February 2006     | Year 1: Acquire 760 kms of New 2D Seismic                                  | Completed                                  |
|                                  |  |                         |         | 8 February 2006   | 7 December 2007     | Year 2: Carry Out 450 km <sup>2</sup> 3D Seismic Survey                    | Under Suspension and Extension Application |
|                                  |  |                         |         | 8 December 2007   | 7 December 2008     | Year 3: 3D Seismic Interpretation  |  |
|                                  |  |                         |         | 8 December 2008   | 7 December 2009     | Year 4: Geological and Geophysical Studies                                 |  |
|                                  |  |                         |         | 8 December 2009   | 7 December 2010     | Year 5: Drill One Well   |  |
|                                  |  |                         |         | 8 December 2010   | 7 December 2011     | Year 6: Office Studies   |  |



### **SECTION 3**

#### **INVESTMENTS IN MARKETABLE SECURITIES**

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The Octanex Group holds investments in marketable securities as follows

##### **Octanex N.L. (NSX Code: OCT)**

At the time of completion of the merger of the Company with Strata on 20 March 2009, Strata held (and continues to hold) 705,000 Octanex shares, together with an equal number of Octanex options that have an expiry date of 30 June 2009 ("Options"). The terms of the Options and the proposal from the Company to change those terms are detailed in clauses 2.2 and 2.3 of Section 10.

Pursuant to the Act, Strata must dispose of these securities within 12 months from the completion date of the merger.

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

The Group holds 36,380,140 shares of the issued capital of Cue Energy Resources Limited ("Cue"). The chairman of Octanex, Mr EG Albers, is a Director 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 now producing oil.

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 Group holds 11,263,289 stapled securities 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.bbpower.com](http://www.bbpower.com)

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

The Company holds 10,972,923 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 6,140,000 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)

**Moby Oil & Gas Ltd (ASX Code: MOG)**

The Group holds 1,863,806 ordinary shares in Moby Oil & Gas Ltd (“Moby”). Mr EG Albers and Mr GA Menzies are Directors of Moby.

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

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

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

The Group holds 4,000,000 ordinary shares in Bass Strait Oil Company Ltd (“Bass”). Mr EG Albers is a Director of 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)

## **SECTION 4**

### **DETAILS OF THE OFFER**

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#### **THE OFFER**

Before making a decision to invest in or subscribe for securities, Applicants should read this OIS in full, with particular regard to the risk factors and their own investment parameters and, as necessary, they should seek independent professional advice from appropriate advisers. An investment in the Company should be considered as a speculative investment.

Under the Offer the Company proposes to issue up to 5,000,000 new Shares, each with an accompanying free option. Applicants are invited to apply for the Shares at an issue price of \$0.20 (20 cents) per Share payable in full on application. For every Share allotted the Applicant will be granted, free of cost, one (1) option to acquire an ordinary share in the Company at an exercise price of \$0.25 (25 cents) ("Offer Options").

The Offer Options are exercisable at any time up to 31 December 2010 by paying up the full exercise price to be issued a fully paid ordinary share in the Company. Alternatively, the Optionholder can pay an amount of \$0.05 (5 cents) on exercise and be issued a partly paid share in the Company, with the balance of \$0.20 (20 cents) being liable to two (2) calls, each of \$0.10 (10 cents) that are payable on 31 December 2011 and 31 December 2012 respectively.

The salient point for Applicants to know in relation to the two calls is that Octanex is a 'no liability' company and holders of partly paid shares in a 'no liability' company are not contractually bound to pay calls. They may elect to forfeit a partly paid or contributing share if, for any reason, they do not pay a call. The terms of the partly paid shares to be issued on exercise of the Offer Options are as set out in Section 10 at clauses 2.3 and 2.4.

An Application for Shares (and accompanying Offer Options) can only be made on an Application Form accompanying or attached to and forming part of this OIS.

#### **GENERAL APPLICATIONS**

Attached to and forming part of this OIS is an Application Form for all Applicants, other than Applicants who are Members of the Company.

#### **APPLICATIONS FROM MEMBERS**

This Offer is not an entitlements issue or rights issue pursuant to the Act. However, Members holding less than 10,000 Shares will be advised of the Offer and, on request, will be forwarded a copy of this OIS so they may consider increasing their holding to a minimum of 10,000 Shares. The OIS will also be available from the Octanex website [www.octanex.com.au](http://www.octanex.com.au).

#### **MINIMUM APPLICATION AMOUNT**

The minimum application from any Applicant, other than from a Member, is an application for 10,000 Shares (and accompanying Offer Options) at an aggregate issue price of \$2,000 ("Application").

Where a Member requests this OIS, the Acceptance Form that will be provided to the Member with this OIS will set out the number of Shares which must be applied for by the Member to increase their holding to 10,000 Shares ("Application").

An Application from a Member that does not increase their holding to at least 10,000 Shares will be accorded a lower priority of acceptance than an Application that results in that Member holding at least 10,000 Shares.

#### **OPENING AND CLOSING OF THE OFFER**

The Offer will open at 9:00 am (AEST) on 10 June 2009 ("Opening Date").

The Offer will close at 5:00 pm (AEST) on 26 June 2009 ("Closing Date"), subject to the right of the Directors to extend it or close it earlier on reaching full subscription.

Subject to the requirements of the Listing Rules of NSX and the Act, the Directors reserve the right to extend the Closing Date without prior notice.

## **PAYMENT FOR SHARES**

The Application Money payable for the Shares the subject of the Offer is payable in full by Applicants on Application. Cheques must be made out in Australian currency.

Cheques in Australian currency forwarded to the Company in Australia must be made payable to "Octanex Share Subscription Account" and be crossed "Not Negotiable".

## **MINIMUM SUBSCRIPTION**

There is no minimum subscription amount for the Offer.

## **UNDERWRITING AND COMMISSION**

The Offer is not underwritten.

## **APPOINTMENT OF LEAD MANAGER**

Patersons Securities Limited ("Patersons") has been appointed as Lead Manager of the Offer to assist with, among other things, the management and marketing for the Offer ("Mandate").

The terms of the engagement letter between the Company and Patersons ("Mandate Letter") provide that Patersons will be paid:

- a corporate advisory fee equal to \$20,000 (exclusive of GST); and
- selling fees equal to 5.5% of the total gross dollar amount raised from all sources by the Offer, other than from existing shareholders rounding up their current shareholdings. All handling fees payable to third parties (including other participating brokers, if applicable) will be paid by Patersons out of this fee.

If Patersons provides additional advisory or corporate services to those agreed under the mandate letter, those additional fees will be charged at the rate of \$400 per hour or a maximum daily rate of \$3,000.

In addition to the above fees, Patersons will receive reimbursement of its out-of-pocket expenses directly related to the transaction. These expenses may include, but are not limited to, legal fees of Patersons own legal advisors, travel and accommodation (for due diligence and marketing), marketing and communication costs, printing, couriers and other distribution costs and postage. Patersons will obtain the Company's consent prior to incurring any single expense greater than \$2,000.

If the Company terminates the Mandate, or Patersons terminates the Mandate for cause, Patersons will be entitled to the reimbursement of any incurred or accrued expenses up to the date of termination.

The Mandate Letter specifically excludes responsibility on Patersons part for the Company's due diligence process or for the preparation or verification of any part of this OIS and provides that Patersons will provide its services on a "reasonable endeavours" basis in relation to the Offer and the obtaining of new shareholders for the purpose of Octanex satisfying the ASX shareholder spread requirements.

Under the Mandate Letter Patersons required that a due diligence process be entered into and that it be satisfied with the nature and results of that due diligence process including the final due diligence committee report and legal sign-off on, among other things, the due diligence process, verification and

sign-off procedures to ensure that all material statements in this OIS are not misleading or deceptive and that there are no material omissions from this OIS.

The Mandate Letter enables Patersons to terminate the Mandate with 2 days written notice, or at any time prior to allotment, if one or more of the following events occur in its sole and absolute opinion:

- (a) the Australian equity capital market conditions and/or ASX trading conditions are such that they are not, in the bona fide judgment of Patersons, conducive to the successful completion of the Mandate or other events beyond the control of Patersons are so material and adverse as to make it impracticable or inadvisable to proceed with the new equity issue on the terms and in the manner contemplated herein;
- (b) there is a material adverse effect including any adverse change in the assets, liabilities, financial position or prospects of the Company as disclosed to NSX and/or to Patersons, other than for the costs incurred by the Company in relation to the Offer;
- (c) there is a false or misleading statement or misrepresentation in the material or information supplied to Patersons or included in the presentation materials or a material omission in the material supplied to Patersons or included in the presentation materials;
- (d) any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or the international financial markets or any material adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, it is impracticable to market the new issue or to enforce any contract to issue and allot the new shares or that the success of the new issue is likely to be adversely affected;
- (e) there is introduced, or there is a public announcement of a proposal to introduce, into the parliament of Australia or any state of Australia, a new law, or the Reserve Bank of Australia, any federal or state authority of Australia adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this Mandate), any of which does or is likely to prohibit or regulate financial institutions or credit providers, capital issues or stock markets;
- (f) NSX gives formal or informal notice that the new Shares of the Company will not be unconditionally quoted on the official list of NSX;
- (g) default by the Company of any term of the Mandate;
- (h) any of the warranties or representations by the Company in the Mandate are or become materially untrue;
- (i) a director or proposed director of the Company is charged with an indictable offence or any director or proposed director of the Company is disqualified from managing a corporation under the Corporations Act or the Chairman or chief executive officer of the Company vacates office;
- (j) ASIC issues, or threatens to issue, a proceeding, hearing or investigation in relation to the Offer;
- (k) any government agency (including ASIC) commences any public action, hearing or investigation against the Company or any of its directors in their capacity as a director of the Company or announces that it intends to take such action; or
- (l) at any time, either of the All Ordinaries Index or the Standard & Poors / ASX200 Index is at a level that is 10% or more below its level as at the close of normal trading on ASX at the date of acceptance of the Mandate.

Any such termination by Patersons will take effect upon receipt by the Company of written notice to that effect. Upon such notice, fees and expenses will be payable to Patersons save that, in such case, selling fees shall only be paid on moneys actually raised from applications lodged by Patersons up to the date of termination or which are lodged thereafter bearing Patersons' stamp.

Under the Mandate Letter Patersons are given a bona fide opportunity to compete on an arm's length basis with any other broker or brokers for the lead role in any further equity capital raisings undertaken in connection with the Company within 12 months of completion of the Offer, subject to the terms offered



by Patersons being competitive in respect of pricing, fees and timing relative to market practices at that time.

Additionally under the Mandate Letter the Company:

1. provides Patersons with various warranties related to compliance with Listing Rules, continuous disclosure requirements, capacity to make the Offer and like matters; and
2. indemnifies Patersons and its associates and related companies, its directors, agents and staff against any and all liabilities, losses, demands, damages, penalties, proceedings of any kind whatsoever including those which are or may be incurred arising out of, among other things, the Mandate, the Offer and material non-compliance by the Company with any applicable law, regulation or rule (including its Constitution, the Corporations Act and the NSX Listing Rules) in relation to the Offer and any review or investigation undertaken by ASIC or NSX.

The warranties and indemnities are extensive but standard for any document of this nature.

## IMPORTANT DATES

|   |                |
|---|----------------|
| OIS lodged with ASIC  | 10 June 2009   |
| Opening Date  | 10 June 2009   |
| Closing Date – Latest date for acceptance and payment in full | 26 June 2009   |
| Allotment Date of the Shares and Offer Options                | 2 July 2009    |
| Despatch of Transaction Confirmation Statements               | By 7 July 2009 |

**These dates are indicative only. The Company reserves the right to extend the Closing Date of the Offer or close it earlier on reaching full subscription, in which case the Allotment Date will change accordingly.**

## SOURCE AND APPLICATION OF FUNDS

The costs and expenses of the Offer and the application of the funds raised are estimated to be as set out below:

### Costs and Expenses of the Offer:

| <b>Costs of the Offer</b> (exclusive of GST)  | <b>Amount</b><br><b>\$</b> |
|---|----------------------------|
| Corporate Advisory Fee  | 20,000                     |
| Selling Fees (assuming the Offer is fully subscribed and commission is paid on the issue of all the new Shares) | 55,000                     |
| Printing  | 5,000                      |
| Share registry, postage and sundry  | 7,500                      |
| Legal fees  | 15,000                     |
| <b>Total Costs and Expenses</b>   | <b>\$102,500</b>           |

### Application of Funds from the Offer:

On a comparative basis with the Group's current cash resources and assets, the total funds being raised by the issue are minimal. No specific allocation of the funds raised is contemplated, other than their being utilised by being added to the Group's existing available cash resources and generally being applied to meeting expenditure requirements related to existing work programmes for permits described in this OIS.

|  |                    |
|--|--------------------|
| <b>Application of funds: Assuming the Offer is fully subscribed</b>  | <b>Amount</b>      |
|  | <b>\$</b>          |
| Costs of the Offer (exclusive of GST)  | 102,500            |
| On account of expenditure requirements related to existing work programmes for permits described in this OIS | 897,500            |
| <b>Total Application of Funds</b>  | <b>\$1,000,000</b> |

## OVERSEAS SHAREHOLDERS

This OIS does not constitute an offer in any jurisdiction outside of Australia and New Zealand or to any person to whom it would not be lawful to issue this OIS.

Nominees applying for Shares on behalf of overseas residents are responsible for ensuring that such an Application does not breach any regulation applicable to any such overseas resident.

Lodgement of Applications accompanied by the relevant Application Money will be taken by the Company to constitute a representation from the Applicant that no breaches of any such regulations have occurred. Applicants, who are nominees or persons proposing to act as nominees, should seek independent advice as to how they should proceed.

## EXPOSURE PERIOD

In accordance with Chapter 6D of the Act, this OIS is subject to an Exposure Period (as defined in the Act) of seven days from the date of its lodgement with ASIC. This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this OIS to be examined by market participants prior to the raising of funds. If this OIS is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Act. Any Applications received prior to the expiration of the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the expiry of the Exposure Period.

## ELECTRONIC OIS

This OIS may be viewed and downloaded online at the website [www.octanex.com.au](http://www.octanex.com.au). Pursuant to Class Order 00/44 and subject to compliance with certain provisions, ASIC has exempted compliance with certain provisions of the Act to allow distribution of an electronic OIS on the basis of a paper OIS lodged with ASIC and the issue of Shares in response to an electronic application form.

If you have received this OIS as an electronic OIS, please ensure that you have received the entire OIS accompanied by the requisite Application and Acceptance Forms. If you have not, please contact the Company by telephone: +61 (0)3 8610 4702 or facsimile: +61(0)3 8610 4799 or by email at [admin@octanex.com.au](mailto:admin@octanex.com.au) and you will be forwarded, free of charge, either a paper copy or a further electronic copy of the OIS as requested by you. Notwithstanding that you may receive this OIS electronically; there is no facility for Applications to be accepted electronically. The Application and Acceptance Forms in this OIS or accompanying this OIS must not be circulated or handed on to prospective investors unless accompanied by a complete and unaltered copy of this OIS and any supplementary OIS which may hereafter be issued.

The Application and Acceptance Forms in this OIS may only be distributed attached to a complete and unaltered copy of the OIS. The Application and Acceptance Forms included with this OIS contain a declaration that the Applicant has personally received the complete and unaltered OIS prior to completing the Application or Acceptance Form.

The Company reserves the right to not accept an Application from a person if it has reason to believe that, when that person was given access to the electronic Application or Acceptance Form, they were not provided with the OIS or any relevant supplementary OIS or replacement OIS or any of these documents were incomplete or altered. In any such case the Application Money received will be dealt with in accordance with Section 722 of the Act. While it is unlikely that the electronic copy of the OIS will

be tampered or altered, the Company cannot give any absolute assurance that it will not be the case and any Applicant with doubt concerning the validity or integrity of an electronic copy of the OIS (or any supplementary or replacement OIS) should immediately request a paper copy of the OIS directly from the Company.

## **CHESS**

The Company participates in the Clearing House Electronic Sub-register System ("CHESS"), in accordance with NSX Listing Rules and operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together make up the Company's principal register of Shares and Options. Consequently, the Company will not issue certificates to securityholders but they will be provided with a Transaction Confirmation Statement, similar to a holding statement, which will set out the number of Shares and Offer Options allotted to them under this OIS. At the end of the month of allotment, CHESS (acting on behalf of the Company) will provide securityholders with a holding statement that confirms the number of securities held. A holding statement or transaction confirmation statement, whether issued by CHESS or the Company, will also provide details of a securityholder's Holder Identification Number (in the case of a holding on the CHESS sub-register) or Securityholder Reference Number (in the case of a holding on the issuer-sponsored sub-register). Following distribution of these initial statements to all securityholders, a holding statement will be provided to each securityholder at the end of any subsequent month during which the balance of that securityholder's holding of securities changes.

## **TAXATION AND STAMP DUTY IMPLICATIONS**

Applicants should seek their own independent advice in relation to matters relating to the operation of taxation and stamp duty laws.

The Company is unable to give advice on taxation matters generally, as each Applicant's position will relate to their own specific circumstances.

Applicants should satisfy themselves of possible taxation consequences of purchases and sales of securities by consulting their own professional tax advisers.

## **SUITABILITY OF INVESTMENT**

Before deciding to invest in the Company, Applicants are strongly recommended to read this OIS document carefully and in its entirety, with particular emphasis on the Company's 'Business and Activities' described in Section 1 and the 'Risks' described in Section 9. Applicants should understand that exploration for oil and gas is both speculative and subject to a wide range of risks.

Applicants should consider the above matters in light of their personal circumstances (including financial and taxation affairs), their own risk profiles and their investment parameters and, as necessary, seek professional advice from their accountant, stockbroker, lawyer, licensed financial adviser or other professional adviser before deciding whether to apply for Shares.

## **SPECULATIVE NATURE OF OFFER AND PROJECTS AND RELEVANT RISK FACTORS**

Applicants should have regard to the speculative nature of the Company's operations and the risks discussed in Section 9 and elsewhere in this OIS.

## **SECTION 5**

### **ACTION BY APPLICANTS**

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#### **ENQUIRIES**

If you have any enquiries as to the terms of the Offer then please contact either Link Market Services Limited or the Company Secretary at the addresses set out in the corporate directory that can be found on the inside of the front cover of this OIS document.

#### **ACCEPTANCE OF APPLICATIONS FOR SHARES**

If an Application or Acceptance Form is not completed properly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The decision of the Company as to whether to treat an Application as valid or how to construe it will be final.

The Directors may complete any blanks or spaces left in any Application and the Applicant, by lodging the Application, appoints the Directors as its attorneys in this regard and authorises all such amendments.

The Directors' decision whether to treat the Application as valid and how to construe, amend or complete the Application or Acceptance Form is final. However, an Applicant will not be treated as having applied for more Shares than can be subscribed for by the amount of the cheque for the Application Money.

A completed and lodged Application, together with a cheque for the Application Money, constitutes a binding and irrevocable Application for the number of Shares (and accompanying Offer Options) specified in the Application or any lesser number allotted by the Company.

#### **APPLICATION FOR LISTING ON NSX**

The Company will, within 7 Business Days of the date of this OIS, apply to NSX for admission of the Shares and Offer Options offered pursuant to this OIS to trading on the Stock Market conducted by NSX and for Official Quotation of those securities on the Official List of NSX.

The fact that NSX may list the Shares and Offer Options is not to be taken in any way as an indication of the merits of the Company or the Shares or the Offer Options. NSX takes no responsibility for the contents of this OIS, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this OIS.

#### **ALLOTMENT**

Subject to NSX granting Official Quotation to the Shares and Offer Options the subject of this OIS, the Directors will proceed to allotment thereof as soon as possible after the Closing Date. No Shares or Offer Options will be allotted or issued on the basis of this OIS later than thirteen (13) months after the date of this OIS.

Applicants should note that the Directors reserve the right to reject any Application and/or to allot a lesser number of Shares (and accompanying Offer Options) than are applied for. If the number of Shares (and accompanying Offer Options) allotted is less than the number applied for, the surplus Application Money will be refunded to the Applicant within 14 days of the Allotment Date.

If the securities offered pursuant to this OIS are not granted Official Quotation by NSX within three months of the date of issue of this OIS, then the Company will refund all Application Money in full. Interest will not be paid on refunded Application Money.

In accordance with the provisions of the Act, all Application Money shall, pending allotment and issue of the Shares (and accompanying Offer Options) pursuant to this Offer, be held by the Company in trust in a bank account established solely for the purpose of depositing Application Money received. Any interest earned on those moneys shall be to the account of the Company.

Transaction Confirmation Statements will be produced on or about 2 July 2009 and despatched on or about 7 July 2009, unless the Closing Date is varied.

It is the responsibility of Applicants to determine their allocation of Shares (and accompanying Offer Options) prior to dealing in those Shares. Any Applicants who sell or otherwise deal in any Shares or Offer Options before they receive their Transaction Confirmation Statements will do so at their own risk.

No Shares or Offer Options will be allotted or issued on the basis of this OIS later than 13 months after the date of this OIS.

#### **TAXATION, STAMP DUTY AND TAX FILE NUMBERS**

Applicants should seek their own independent advice in relation to taxation matters generally and as to the operation of taxation laws in Australia and taxation and stamp duty laws in New Zealand. The Company is unable to give advice on taxation matters generally, as each Applicant's position will relate to their own specific circumstances. Applicants should satisfy themselves of possible taxation consequences of purchases and sales of securities by consulting their own professional tax advisers. It is not necessary for Applicants to quote their tax file number in their Application.

## **SECTION 6**

### **DIRECTORS AND MANAGEMENT**

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The Octanex Group is managed by a team which includes its Directors, Officers and professional consultants, with their details set out in this Section.

#### **DIRECTORS AND COMPANY SECRETARY**

##### **Mr E Geoffrey 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. He has been a Director since 2 October 1984.

##### **Mrs Pamela J 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. She has been a Director since 23 March 1996.

##### **Mr Graeme A 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 Moby Oil & Gas Limited, (ASX Code: MOG) Exoil Limited (NSX Code: EXX) and Papyrus Australia Limited (ASX Code: PPY). He has been a Director since 26 August 2003.

##### **Mr J G (Jack) Tuohy BCA, CA**

###### **Company Secretary**

For all but two years since 1986, Mr Tuohy has acted as Company Secretary to public listed companies in New Zealand. The first half of that period he spent in the oil and gas sector, initially administering three oil and gas exploration companies in which Messrs Albers and Willis were directors and which they had originally taken to listing. He then acted for only one of them, Southern Petroleum N.L., when it became a successful oil and gas production company. Following the privatisation of Southern Petroleum, Mr Tuohy acted in a forensic accounting capacity in a multi-party legal action, then returning to a public company secretarial position in the motor vehicle industry where he spent the next 10 years. In these positions Mr Tuohy has been involved in the various aspects of public and private company administration, especially as this relates to the oil and gas exploration sector and to public listed company activities, obligations and requirements. He relocated to Australia in 2008 to take up the position of Company Secretary to a number of Mr Albers' and his associates' group of companies, of which Octanex is one. Mr Tuohy is a chartered accountant in New Zealand.

## **MANAGEMENT**

### **Dr Simon Sturrock B.Sc.(Hons), Ph.D**

#### **Consultant Geophysicist / Exploration Manager**

The Company's leading technical consultant is Strat Trap Pty Ltd, a successful geological interpretation consultancy based in Perth and whose principal and director is Dr Simon Sturrock.

Dr Sturrock is a seismic interpreter and sequence stratigrapher with 26 years international and Australasian exploration and development experience, including 11 years with British Petroleum and six years as Exploration Manager of Octanex. He possesses a unique and powerful skills combination for stratigraphic prediction and has a proven track record in accurately predicting reservoir and seal distribution that has substantially reduced costs and assisted in the discovery of significant hydrocarbons. Dr Sturrock has an extensive knowledge of practical sequence stratigraphy and he is highly experienced in applying these skills to field appraisal and development, exploration prospect and play fairway evaluation and risk analysis.

Dr Sturrock is a member of the Petroleum Exploration Society of Australia, the American Association of Petroleum Geologists, the Petroleum Exploration Society of Great Britain, the Australian Society of Exploration Geophysicists and the Formation Evaluation Society of Australia, as well as being a Fellow of the Geological Society of London. He has also carried out post-doctoral research at the British Museum that was funded by British Petroleum.

He is skilled in the interpretation and integration of 2D and 3D seismic, electric logs, cores, sedimentological and stratigraphic data into predictive depositional models for improved risk analysis. Dr Sturrock is also an accomplished sequence stratigrapher, with a thorough experience in clastics and carbonates and an extensive knowledge of reservoir distribution and quality in submarine fans. He is accomplished in high-resolution sequence stratigraphy and facies delineation for stochastic reservoir modelling and a proficient user of personal computers and workstations (Stratimagic; GeoLog, Geoquest; Charisma, IESX, SeisClass, Strat Log, Well Pix, Landmark; Seisworks & Stratworks & Petrosys mapping). He is skilled in teamwork and multi-disciplinary project co-ordination and accomplished in making technical presentations to senior management and joint venturers. In addition, he has taught sequence stratigraphy courses to oil companies and university M.Sc classes.

### **Mr James M D Willis LL.M(Hons), Dip Acc**

#### **Consultant and Managing Director of Albers Group**

Until his resignation from the practice in 2007, Mr Willis had been a partner in the leading New Zealand law firm of Bell Gully for 25 years. His practice speciality was in the upstream oil and gas area, particularly relating to issues concerning gas contracting and the development of oil and gas reserves, joint ventures and upstream petroleum related acquisitions. He has acted for the leading participants in the upstream petroleum industry in New Zealand.

In 2007 Mr Willis relocated to Australia to take up a management role with the group of companies controlled by Mr Albers and his associates and is now a fulltime executive director of companies in that group.

Mr Willis is Chairman of NSX-listed Exoil Limited and was a director of ASX-listed MEO Australia Limited until July 2008, a position he had held for 10 years during a crucial period of its growth. With Mr Albers he was co-founder and later a director of Southern Petroleum, a successful New Zealand explorer that is now wholly-owned by Shell.

### **Mr Robert J Wright B Bus, CPA**

#### **Chief Financial Officer**

Mr Robert Wright is a senior financial professional with over 20 years commercial experience in the resource, energy and manufacturing industries gained at various companies and locations, including 14 years at BHP. He is Chief Financial Officer for several listed exploration companies, a company secretary for a number of unlisted companies and is a member of CPA Australia.



## SECTION 7 CAPITAL STRUCTURE

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### PRESENT CAPITAL STRUCTURE

The present capital structure of the Company comprises 138,360,494 fully paid ordinary shares, 33,000,000 ordinary unpaid shares issued to the trustee of the trustee stock scheme and 28,914,710 30 June 2009 options to acquire ordinary shares at an exercise price of \$0.25 ("Options").

The terms of the Options and the offer to modify them are detailed in clauses 2.2 and 2.3 of Section 10.

On 29 May 2009, the Company made an offer to all Optionholders to modify the terms of the Options by extending the expiry date from 30 June 2009 until 31 December 2010. The offer further modifies the terms of exercise to permit the Options to either:

- (a) Be paid up in full on exercise on or before 31 December 2010; or
- (b) Become a partly paid share (technically a *contributing share*) by a payment of \$0.05 (5 cents) to be made on exercise on 31 December 2010, with a further instalment of \$0.10 (10 cents) on 31 December 2011 and a final instalment of \$0.10 (10 cents) on 31 December 2012.

Optionholders can elect to retain the current terms and conditions of their Options or choose the modified terms and conditions. This election must be made by 30 June 2009.

Where Optionholders accept the offer made to them the terms and conditions of the Options held by them will be modified to those set out in that offer.

Where Optionholders do not accept the offer made to them the terms and conditions of their Options will remain unchanged and, if not exercised by 5:00 pm AEST on 30 June 2009 with payment of the exercise price being made in full (at the rate of \$0.25 (25 cents) per option exercised and accompanied by the relevant form - see clauses 2.2(iv) & (v) of Section 10), their Options will lapse and those Optionholders will receive NO benefit on their Options lapsing.

### CAPITAL STRUCTURE ON COMPLETION OF THE OFFER

Assuming that the Offer is fully subscribed or any shortfall placed, and disregarding any change in the terms of the Options as referred to above, the capital structure of the Company on completion of the Offer will be as set out in the table below.

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#### CAPITAL STRUCTURE ON COMPLETION OF THE OFFER: ASSUMING FULL SUBSCRIPTION

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|   |                    |
|---|--------------------|
| <b>Amount to be raised</b>  | <b>\$1,000,000</b> |
| <b>Offer price per Share</b>  | <b>\$0.20</b>      |
| Number of Existing Shares (immediately prior to the allotment of Shares under the Offer)  | 171,360,494        |
| Number of Existing Options  | 28,914,310         |
| <b>Number of Shares being offered under this OIS</b>  | <b>5,000,000</b>   |
| <b>Number of Offer Options being offered under this OIS</b>   | <b>5,000,000</b>   |
| <b>Total number of Shares immediately after allotment of Shares under the Offer (assuming full subscription)</b>                                      | <b>176,360,494</b> |
| <b>Total number of Options and Offer Options immediately after allotment of the Offer Options under the Offer (assuming no Options are exercised)</b> | <b>33,914,310</b>  |

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### RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OPTIONS

The rights and liabilities attaching to the Shares are detailed in clause 2.1 in Section 10. The Shares are fully paid ordinary shares which will rank equally with all other shares on issue from the date of their allotment.

The rights and liabilities attaching to the Options are detailed in clause 2.2 in Section 10.

The rights and liabilities attaching to the Offer Options are detailed in Section 4 and at clause 2.4 in Section 10.

## EXECUTIVE OPTIONS AND PHANTOM SHARES

As set out in the Financial Report for the year ended 30 April 2009 at Appendix A of this OIS, under the terms of the Consultancy Services Agreement with Upstream Consultants Pty Ltd ("Upstream"), which came into effect from the 31 October 2007, the following phantom shares were granted whereby the net difference in the value of Octanex shares at exercise date and initial price shall be paid to Upstream in cash. Mr JMD Willis is a director of Upstream.

| <b>Tranche</b> | <b>Initial Price/<br/>Assessed Value</b> | <b>Exercise Date</b> |
|----------------|--|----------------------|
| 1. 750,000     | \$0.30                                   | 30 June 2009         |
| 2. 500,000     | \$0.1818                                 | 30 June 2009         |
| 3. 750,000     | \$0.40                                   | 30 June 2010         |
| 4. 500,000     | \$0.2424                                 | 30 June 2010         |
| 5. 750,000     | \$0.40                                   | 30 June 2011         |
| 6. 825,000     | \$0.47                                   | 30 June 2011         |
| 7. 750,000     | \$0.40                                   | 30 June 2012         |
| 8. 825,000     | \$0.47                                   | 30 June 2012         |
| 9. 750,000     | \$0.40                                   | 30 June 2013         |
| 10. 825,000    | \$0.47                                   | 30 June 2013         |

In the same way, the Company has granted executive options under the terms of that Consultancy Services Agreement with Upstream, with the following options remaining extant.

| <b>Tranche</b> | <b>Exercise Price</b> | <b>Exercisable<br/>on or before</b> |
|----------------|-----------------------|-------------------------------------|
| 1. 750,000     | \$0.40                | 30 June 2009                        |
| 2. 500,000     | \$0.2424              | 30 June 2009                        |
| 3. 750,000     | \$0.50                | 30 June 2010                        |
| 4. 500,000     | \$0.3030              | 30 June 2010                        |
| 5. 750,000     | \$0.60                | 30 June 2011                        |
| 6. 500,000     | \$0.3636              | 30 June 2011                        |
| 7. 750,000     | \$0.70                | 30 June 2012                        |
| 8. 500,000     | \$0.4242              | 30 June 2012                        |

## SECTION 8

### FINANCIAL INFORMATION

Set out below is the Octanex Group's Consolidated Balance Sheet as at 30 April 2009 which is based on audited financial statements for the 12 months ended at that date. There is also an unaudited pro forma Balance Sheet of the same date that accounts for the assumption that the Offer is fully subscribed and that the costs of the Offer have been paid from the proceeds of the Offer.

A Financial Report for the year ended 30 April 2009 is included as Appendix A of this OIS. The Financial Report incorporates audited financial statements.

#### AUDITED CONSOLIDATED BALANCE SHEET OF THE GROUP AS AT 30 APRIL 2009 AND UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THAT DATE ASSUMING FULL SUBSCRIPTION OF THE OFFER

|                                      | Consolidated<br>Unaudited Pro Forma<br>Balance Sheet<br>As at 30 April 2009 | Consolidated<br>Audited<br>Balance Sheet<br>As at 30 April 2009 |
|--------------------------------------|---|---|
|                                      | A\$   | A\$   |
| <b>CURRENT ASSETS</b>                |   |   |
| Cash and cash equivalents            | 31,969,073  | 31,056,573  |
| Trade and other receivables          | 109,560   | 109,560   |
| <b>TOTAL CURRENT ASSETS</b>          | <b>32,078,633</b>   | <b>31,166,133</b>   |
| <b>NON-CURRENT ASSETS</b>            |   |   |
| Other financial assets               | 6,968,555   | 6,968,555   |
| Exploration and evaluation assets    | 46,918,510  | 46,918,510  |
| <b>TOTAL NON-CURRENT ASSETS</b>      | <b>53,887,065</b>   | <b>53,887,065</b>   |
| <b>TOTAL ASSETS</b>                  | <b>85,965,698</b>   | <b>85,053,198</b>   |
| <b>CURRENT LIABILITIES</b>           |   |   |
| Trade and other payables             | 305,820   | 305,820   |
| <b>TOTAL CURRENT LIABILITIES</b>     | <b>305,820</b>  | <b>305,820</b>  |
| <b>NON-CURRENT LIABILITIES</b>       |   |   |
| Payables                             | 6,173,238   | 6,173,238   |
| Provision for share based payments   | 257,538   | 257,538   |
| Deferred tax liabilities             | 13,646,132  | 13,646,132  |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>20,076,908</b>   | <b>20,076,908</b>   |
| <b>TOTAL LIABILITIES</b>             | <b>20,382,728</b>   | <b>20,382,728</b>   |
| <b>NET ASSETS</b>                    | <b>65,582,970</b>   | <b>64,670,470</b>   |
| <b>EQUITY</b>                        |   |   |
| Contributed equity                   | 47,715,906  | 46,803,406  |
| Reserves                             | 1,478,699   | 1,478,699   |
| Retained Earnings                    | 16,388,365  | 16,388,365  |
| <b>TOTAL EQUITY</b>                  | <b>65,582,970</b>   | <b>64,670,470</b>   |

## MERGER AND ACQUISITION

The recent Shareholder approved merger of Octanex with Strata and acquisition of Exmouth has resulted in a combination of resources that has given the Octanex Group both a strong cash position and consolidated a significant asset base.

## PROFITABILITY OF OCTANEX GROUP

Importantly and materially for the companies in the Octanex Group, had the recently completed merger of Octanex and Strata been completed by 30 June 2008, the consolidated net profit after tax for the year ended on that date would have been \$34,067,381, before taking account of any consolidation adjustments that may have been required. The merger was not in place at 30 June 2008 and the relevant details for that accounting period for each of the entities comprising the Octanex Group are as follows:

- For Octanex, the consolidated net profit after tax for the year ended 30 June 2008 was \$17,865,746 (\$658,268 in 2007) arising primarily from the OMV/ENI and Shell transactions described in Section 1. However, it should be understood that the profit reported in the 30 June 2008 financial year was derived from a series of specific transactions and does not comprise maintainable earnings and in the absence of further like transactions in the current financial year, Octanex will likely make a net loss from operations. Octanex profitability since 30 June 2008 has been limited and is dependent on receipt of interest income from cash at bank and on deposit. The value of the Octanex investments included in the 30 April 2009 Balance Sheets, included above as part of 'Other financial assets', has fallen significantly since 30 June 2008.
- For Strata, its net profit after tax for the year ended 30 June 2008 was \$16,201,635 (\$611,443 in 2007), also arising primarily from the OMV/ENI and Shell transactions. However, it should be understood that the profit reported in the 30 June 2008 financial year was derived from a series of specific transactions and does not comprise maintainable earnings and in the absence of further like transactions in the current financial year, Strata will likely make a net loss from operations. Strata profitability since 30 June 2008 has been limited to the receipt of interest income from cash at bank and on deposit.
- Exmouth has no trading history. It is a company that was incorporated specifically to acquire the interests in the various permits it held (and continues to hold) when it was acquired by Octanex from its then parent entity, Gascorp Australia Pty Ltd. The profitability of Gascorp Australia Pty Ltd has no relevance to the Octanex Group.

## DIVIDEND HISTORY

While profitable for the year ended 30 June 2008, Octanex has not paid any dividends and does not expect to pay dividends in the foreseeable future. It is intended that the Group's cash resources will be retained to meet exploration expenses or otherwise invested in strategic assets or corporate acquisitions.

## SECTION 9

### RISKS INVOLVED IN INVESTING IN OCTANEX

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**The risks described in this Section and elsewhere in this OIS are not necessarily exhaustive. Applicants should realise that any company with resource-based operations is subject to a wide range of risks, many of which may not be foreseeable.**

Before deciding to invest in the Company, Applicants should read this document carefully, in its entirety and with particular emphasis on the risk factors detailed in this OIS. There are risks associated with holding Octanex Shares and some of those risks are described in this Section.

The business operations of the Company will be subject to risks which may impact adversely on its future performance. These risks may adversely affect the value of any shares in the Company. The value of Octanex shares will depend on factors beyond the immediate control of the Board. Applicants face the risk that, while the Board will seek to achieve its stated aims, it may not be able to do so.

In common with most resource-based companies, risks associated with investment in Octanex securities include:

**Share price risks.** Applicants should recognise that the prices of shares fall as well as rise. Many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment. Applicants will be aware that in the last 12 month period in particular, there has been an unprecedented level of volatility on world stock markets and that no predictions can be made as to when that period of volatility will end.

**Investment risks generally.** Holding Octanex shares will be subject to risks of a general nature relating to investment in shares and securities and especially where the company in which the investment is made has a comparatively small market capitalisation, such as is the case with Octanex.

**Risks related to investment in resources.** Exploration and/or development of resources, particularly oil and gas, the area of the Company's activities, are subject to high levels of risk.

**Fiscal risks.** These risks involve the imposition of additional taxes, imposts and other charges by government from time to time relating to revenue or cash flow. Industry profitability can be affected by changes in tax policies and the interpretation and application thereof.

**Macro economic and political factors.** Apart from exchange risks, there are a wide range of other macro economic and political factors beyond the control of Octanex which will affect the Company's operations. These include the consequences of terrorist and other activities, which themselves impact adversely on the global economy, demand for commodities, particularly oil and gas, and share market conditions and share prices generally.

**Risks relating to commodity prices.** Commodities, particularly oil and to a lesser extent gas, are subject to high levels of volatility in price and demand. While oil prices increased rapidly over the period from early 2007 to July 2008, reaching record levels, Applicants should understand that those prices can also decline with equal or even greater rapidity and have done so, graphically demonstrating high volatility. Given that Octanex does not have production, this risk is not directly applicable, although as commodity prices will affect the willingness of third parties to invest or enter into joint ventures with Octanex (or any other explorer), this volatility could have adverse results on Octanex and its operations.

**Political and other factors.** These risks include those such as changes in levels of consumer confidence, which affect consumption patterns and consequently demand for a wide range of products, including commodities such as oil and gas. In the event of a major worldwide recession, demand for oil and gas would be affected, with consequent effects on prices which could impact on the viability of Octanex's operations: even assuming that commercially exploitable reserves were established.

**Sufficiency of funding.** Octanex may need to raise significant additional capital to implement and complete its business plans and meet all work and expenditure commitments on its permits. This requirement to raise additional capital has two consequences for Applicants. First, any requirement to raise additional capital will result in their shareholding in Octanex (possibly) being diluted. Second, if additional capital is not raised then Octanex's operations may not be able to be funded, with the result that their Shares may significantly decrease in value. The total amount of capital that may be required



to be raised is not presently able to be ascertained, as it will depend on the success or otherwise of the Company's proposed operations.

The work commitments and obligations in relation to the permits the Octanex Group has interests in are provided in Section 2. Expenditure on permit operations will be dependent in part on the results of exploration activities from time to time, approval of work programmes and budgets (by the Board and/or the relevant Joint Ventures) and available working capital. When required, further funds will be obtained from a combination of sources which may include remaining working capital, farmouts, the partial sale of the Company's interests, the proceeds of further share issues or the exercise of the Options. In the case of field development capital expenditure, funding may need to be obtained via project loan finance. The Directors consider it reasonable to anticipate that, if the Company achieves any significant level of success in its operations, the Options would be exercised.

The success of the Company will also depend upon it having access to sufficient development capital (in the event of a commercial discovery), being able to maintain title to its permits and obtaining all required approvals for its activities.

**Contract risks.** Octanex will operate through a series of contractual relationships with operators, technical experts, project managers and contractors generally. All contracts carry risks associated with the performance by the parties of their obligations as to time and quality of work performed. Given that Octanex is in joint venture with various other parties and has, or will, enter into farm out agreements where its obligations are assumed by others, the incapacity of those joint venturers or farminees to meet contracted obligations would adversely affect the Company's capacity to carry out its own activities.

**Regulatory risks.** Operations by Octanex may require approvals from regulatory authorities which may not be forthcoming, either at all or in a timely manner, or which may not be able to be obtained on terms acceptable to the Company. While Octanex can reasonably believe that all requisite approvals will be forthcoming, and whilst the Company's obligations for expenditure will be predicated on any requisite approvals being obtained, Applicants should be aware that Octanex cannot guarantee that any or all requisite approvals will be obtained. A failure to obtain any approval would mean that the ability of Octanex to participate in or develop any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.

**Litigation.** Octanex is presently not involved in litigation and the Directors are not aware of any basis on which any litigation against the Company may arise. However, there is always the risk that litigation may occur as a result of differing interpretations of obligations or outcomes.

**Exploration and drilling risks.** Petroleum exploration involves significant inherent risks in predicting the location and nature of potential petroleum accumulations in the sub-surface. Octanex cannot give any assurance that its exploration programme will result in the discovery of any accumulation of oil or gas, nor that any discovery will be commercially viable or recoverable. Risks in relation to drilling operations include break-downs, delays due to weather or sea conditions and shortages of critical equipment or materials. There are also the financial and environmental risks of drilling incidents such as blow-outs, fires and oil spills. The Company mitigates these risks via its safety and environmental policies, plans and procedures and will arrange appropriate insurances for particular risks. Octanex gives no assurance against the occurrence of these or of any other adverse events.

In the event that exploration programmes prove to be unsuccessful, this will likely lead to: a diminution in the value of any of the Company's permits subject to such unsuccessful exploration activities; a reduction in the cash reserves of the Company by virtue of the costs of such activities; possible increased difficulty in raising additional funds following any such unsuccessful activity (particularly drilling); and possible relinquishment of permits.

**Discovery risks.** Any discovery may not be commercially viable or recoverable. For a wide variety of reasons, not all discoveries are commercially producible.

**Production risks.** The Company currently has no producing petroleum interests. It must also be understood that, while there may be indications of the potential for hydrocarbons to be present within the Company's permits, no formal reserves, resources or contingent resources have been defined or measured within any of the permits in which the Octanex Group has an interest. Therefore, there can be no assurance given that the Company will achieve production from any of the permits it has an interest in.

Even if a discovery well is drilled on any of the permits, the capacity of Octanex to achieve production will depend on a wide range of factors in addition to a successful exploration outcome. These factors include (but are not limited to) development decisions, capital costs and operating costs that may be applicable to the individual projects and the capacity of Octanex to fund those costs.

If production is achieved then unanticipated problems may increase extraction costs and reduce anticipated recovery rates. In some cases, increases in costs, whether in conjunction with falling oil and gas prices or otherwise, may result in the discovery of a hydrocarbon accumulation not being commercial or ceasing to be commercial.

**Reserves calculation risks.** The Octanex Group has no reserves at present. However, even if at some time in the future the Company is successful in establishing reserves from any future discovery, it should be recognised that there are numerous difficulties inherent in estimating reserves. Any future statements by Octanex as to reserves, which might follow on any future discovery when and if made by the Company, should at best be regarded as preliminary indications or possibilities and not be relied on. The variables on which estimates of reserves are made include a number of factors and assumptions such as historical production, comparisons with production from other producing areas, assumed effects of regulation by government agencies, assumptions regarding future oil and gas prices and future operating costs, all of which may vary considerably from actual results. Assumptions that affect either the cost of recovery or the viability of recovery of any resource will affect any calculation of reserves.

**Environmental compliance and risks.** In carrying out operations, the Octanex Group and its relevant Joint Venture partners are required to comply with the *Environment Protection and Biodiversity Conservation Act 1999 (Cwth)* ("EPBC Act") which specifies and regulates the environmental protections needed to be put in place by operators to avoid and minimise adverse environmental impact from those operations. The EPBC Act sets out stringent conditions which must be complied with by operators and imposes rigid conditions that must be met before operations can commence. In the event of breaching any such conditions, the Company may be liable to prosecution and the imposition of penalties.

Further, following cessation of any production from future operations, Octanex will be required to participate in clean-up programmes resulting from any contamination from operations in which it participates, removal of disused plant and equipment and where necessary, restoration of the environment that has been disturbed in the course of operations. The cost of that participation may be considerable if operations result in significant environmental liabilities being incurred. In such a case, any allowance made for rehabilitation could possibly be inadequate. This applies to any company in the Octanex Group that is involved in such operations.

**Operational risks.** These include the possibility of environmental accidents, the risk of unexpected mechanical failure or equipment breakdown resulting in loss of production and additional expense generally, unexpected interruption to or imposition of onerous conditions on access, industrial disputes and resultant increases in costs of operation.

**Climatic and geographic risks.** All of the permits held by the Octanex Group are situated in offshore areas of Australia. Operations in these areas are generally more prone to being affected by adverse climatic conditions. In all such locations, local weather conditions can have adverse effects on the ability to operate.

**Insurance.** Octanex's operations will expose it to risks and hazards typically associated with exploration for, and development and production of, hydrocarbons. In accordance with customary industry practices, the Company intends to maintain insurance against various of the risks associated with drilling. The availability of insurance and the rates at which it may be available will determine which losses are insured against and in what amount. The occurrence of any significant event which is not insured against could seriously harm the Company and its operations and adversely impact on its financial condition.

**Title and tenement risks.** A risk exists that some or all of the tenements (i.e. permits) that the Octanex Group holds or has interests in may, when required to be renewed, not be renewed by the regulatory authorities for various reasons. Interests in tenements in Australia are governed by the respective State government legislation and are evidenced by the granting of tenements through the issuing of a lease or licence. Each lease or licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Octanex Group could lose title to, or its interests in, one or more tenements if licence conditions are not met or if sufficient funds are not available to meet expenditure commitments. Any failure to comply with the expenditure conditions or with the other conditions on which the licences are held exposes the licences

to forfeiture. If sufficient funds are not spent on tenements as is required by the relevant State governments then those tenements could be cancelled, without compensation.

In the event of a commercial discovery, the permit holders will have the right to apply for a production licence over that discovery. The grant of such a licence is also subject to the relevant petroleum legislation in each State and will only be granted on the terms and conditions that the relevant Minister considers appropriate. Once granted, such production licences are liable to forfeiture on breach of any of its conditions.

Finally, even though the terms of any Joint Venture Operating Agreement (“JVOA”) to which a member or members of the Octanex Group is a party (see Material Agreements at clause 1.2 of Section 10) in relation to any tenement interest may impose obligations on the other joint venturers to meet cash calls and pay their share of expenditure, their failure to do so may leave the Company with rights under the relevant JVOA against any such co-venturers that may be effectively valueless; because the Company may not have the funds to exercise any such rights as permit it to fund and acquire any defaulting co-venturer’s interest. Even where the terms of a JVOA are such as they enable non-operator co-venturers the right to remedy any defect, the Company may not have sufficient funds to do so.

**Native title.** None of the Octanex permits are not presently subject to native title applications but should one or more be so in the future, then there can be no guarantee that any native title application will be resolved in either a timely fashion or in the Company’s favour.

**No Valuation.** No formal or informal valuation has been carried out on the assets of the Company for the purposes of this OIS. The Company makes no representation as to the value of the assets of the Company. All Applicants and their advisers should make their own assessments as to valuation after having regard to all of the matters contained in this OIS.

## SECTION 10

### GENERAL MATTERS

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Set out in this Section are details of material agreements and additional information which is provided for the information of Applicants generally.

#### 1. MATERIAL AGREEMENTS

The Company has not entered into any material agreements other than in the ordinary course of its business and the material agreements that remain uncompleted or relevant to investment in the Company are as set out below. Following is a summary of each of those agreements.

##### 1.1 Exploration Permits: General Terms

Each of the permits has been granted under the *Petroleum (Submerged Lands) Act* (now the *Offshore Petroleum Act 2006*) by the Designated Authority for an initial six year period. The relevant dates and work commitments of each permit are more specifically set out in Section 2, together with the current and proposed work programmes outlined in Section 1.

Generally, each of the permits provides rights to the holder to undertake exploration, including seismic surveys and drilling, within the defined area of the permit.

Under the terms of each permit the exploration work programme nominated for the first three years must be met. The permit holder may withdraw from any permit after the third permit year or at the end of any subsequent permit year, provided all the exploration work obligations up to the date of withdrawal have been met.

The permits may be renewed for two subsequent five year periods, provided they are in good standing at the end of each preceding period and provided that half of the remaining area is relinquished on each renewal. Any production licence, retention lease or location graticules are excluded from the relinquishment calculation.

The permit holders may not construct any installation in the permit or abandon, suspend or complete any well without the written approval of the Designated Authority.

The permits require the permit holders to comply with the *Offshore Petroleum Act 2006*, the regulations and, as stipulated by the relevant Designated Authority, all directions made thereunder and to carry out operations with adequate measures for the protection of the environment and to carry insurance.

At the date of this OIS, each of the permits is in good standing and all required work obligations for completed permit years has been carried out in accordance with that permit's terms, whether original or as amended from time to time with the consent of the Designated Authority.

##### 1.2 Operating Agreements

The Company has entered into separate Joint Operating Agreements ("JOA") in relation to each of the permits in which it has an interest and where there is, or has been, an external party holding an interest in that permit. The Company is Operator of the permits where the Octanex Group has a 100% interest in that permit.

The JOA's follow a comparatively uniform format as detailed below. Exceptions are minor and normally project specific. Where material differences occur they are referred to below in context.

**Conduct of Joint Operations**

Under each JOA, the Operator is responsible for the conduct of joint operations. The Operator may resign as operator on giving appropriate notice but is entitled to continue as operator in normal business circumstances.

**Insurance**

The Operator will, to the best of its ability, procure and maintain for the joint venture statutory insurances and other insurances required by the operating committee, with any other joint venturer having the right not to participate in non-statutory insurances.

**Operating Committee**

A joint venturer has the right to appoint one representative to serve on the operating committee which has the power and duty to authorise and supervise joint operations. Each representative has a vote equal to its participating interest. Generally a 66% affirmative vote by at least two joint venture participants (not being affiliates of one another) is required to pass a resolution. If there are four or more joint venturers, a 70% affirmation vote is required from at least two non-affiliated participants. Some of the more important decisions require unanimity.

The operating committee considers exploration work programs and targets that are to be presented by the Operator up to nine months (in a preliminary way) and up to three months (in final form) before the commencement of each permit year. The operating committee meets following delivery of the final proposed work program and budget to agree a work program and budget for the ensuing year.

Once a development plan for a commercial discovery is approved, the Operator then submits development and production plans and budgets to the operating committee in advance of the commencement of the next calendar year.

**Authorisation for Expenditure**

Before incurring any expenditure, whether for exploration, appraisal, development or production, the Operator submits an authorisation for expenditure to each joint venturer. Each authorisation must be approved by the operating committee prior to expenditure being committed to or undertaken.

**Sole Risk**

Where the operating committee does not approve a proposed exploration or appraisal well, a party may undertake the project as a sole risk project with the right of the non-participants to buy back in at various premiums which differ between the cases of a development well, an appraisal well and an exploration well. The premium to buyback can normally be paid in kind (out of petroleum produced) or in cash.

**Default**

A joint venturer that fails to pay when due its share of joint venture expenditure is a defaulting party. A defaulting party is not entitled to attend operating committee meetings or to vote. The sum of money in default is allocated to and paid by the non-defaulting parties pro rata to their participating interests. Reasonable opportunity to cure a default is given to a defaulting party.

For a specified period following a notice of default which has not been cured, the JOA states that each non-defaulting party shall have the option to give notice to the defaulting party to transfer its entire interest to the non-defaulting parties.

**Assignments**

A joint venturer may assign all or part of its joint venture interest to an affiliate, but generally assignments to non-affiliates will attract pre-emptive rights provisions. In all cases the



assignee must be accepted by the remaining joint venturers as being financially capable of meeting all obligations assumed under the relevant permit and the related JOA.

### **Cross Charge**

If the operating committee decides to develop a discovery then the parties are required to charge their joint venture interests and shares of petroleum produced in favour of one another in order to secure the performance of their respective obligations under the relevant JOA. In the same way, where any joint venturer seeks to encumber its participating interest, the party proposing to encumber its interest in favour of a third party must grant such prior ranking cross charges to which the charge in favour of the third party will be subject.

### **Withdrawal**

Subject to certain conditions for the protection of the other party or parties to the relevant joint venture, a party which is unwilling to commit further to expenditure on a permit may withdraw from the relevant joint venture. Once development of a discovery has commenced, those conditions include a condition that other parties be willing to accept the withdrawing party's interest.

## **1.3 Agreement with Geokinetics (Australia) Pty Ltd**

The Group has a long term liability to Geokinetics (Australasia) Pty Ltd ("Geokinetics") arising from the acquisition of the Winchester OBC 3D seismic survey. That survey was carried out by Geokinetics within WA-323-P and WA-330-P in August 2008. In absolute terms the liability is currently \$10,617,617, before discounting it as required by International Financial Reporting Standards. After making adjustment for discounting of the cash flows arising from the payment terms, the liability is reduced to \$6,173,238 as at 30 April 2009. The liability is discounted to reflect the time at which future payment of the liability is to be made.

At the date of this OIS, the balance of monies due to Geokinetics is US\$7,250,000, ("balance") together with interest at 10% per annum calculated on a portion of the debt (an amount of US\$2,500,000) from August 2008 until such time as the balance is paid in full. The amount of the balance is finally due and payable on 30 June 2020, but various portions in the make-up of this amount are subject to acceleration upon the occurrence of certain defined events. In particular, an amount of up to US\$2,500,000 becomes due and payable to Geokinetics upon the first to occur of any of the following events; either (i) a farmout to a third party which results in a well being drilled in either of WA-323-P or WA-330-P ("the two permits") without cost to the Octanex Group, or (ii) when the Octanex Group spuds such a well at its own cost, or (iii) when the Octanex Group renews either or both of the two permits for a further 5-year term, or (iv) when the Octanex Group sells either or both of the two permits.

In the event of (iv) occurring, Geokinetics shall be limited to the first US\$2,500,000 of any such sale proceeds; while in each of the other three events Geokinetics shall be entitled to a payment of US\$2,500,000.

Further accelerated payments would become due to Geokinetics upon the first to occur of the following two events;

- If the Octanex Group were to sell either or both of the two permits for in excess of US\$6,500,000 then in such event Geokinetics would be entitled to 25% of the amount in excess of US\$6,500,000, up to a maximum amount of US\$4,000,000.
- The farmout by Octanex or either of both Permits which would result in a well being drilled at no cost to Octanex and where Octanex would retain a carried interest of not less than 40%, in which event a payment of US\$2,000,000 would payable to Geokinetics.

1.4 **Farmin Agreements between Octanex Group companies and OMV and ENI with respect to WA-362-P, WA-363-P, WA-386-P and WA-387-P**

Full details of the farmin arrangements between the Octanex Group and OMV and ENI with respect to these four permits are provided in Section 1.

1.5 **Agreement for Sale and Purchase between Octanex Group companies and Shell with respect to WA-384-P, WA-385-P and WA-394-P**

Full details of the agreement for sale and purchase between the Octanex Group and Shell with respect to these three permits are provided in Section 1.

1.6 **Overriding Royalty and Discovery Payment Agreements between Octanex Group companies and Shell with respect to WA-384-P, WA-385-P and WA-394-P**

Full details of the overriding royalty and discovery payment agreements between the Octanex Group and Shell with respect to these three permits are provided in Section 1.

2. **RIGHTS AND LIABILITIES ATTACHING TO SHARES AND THE OPTIONS AND OFFER OPTIONS TO ACQUIRE ORDINARY SHARES IN THE COMPANY**

2.1 **Rights Attaching To Shares**

A summary of the more significant rights attaching to the Company's shares is set out below. This summary is not exhaustive nor does it constitute a definite statement of the rights and liabilities of the Members. To obtain such a statement, Applicants should seek independent legal advice.

- (a) **Ranking:** The shares will be ordinary shares and will rank equally in all respects with the existing ordinary shares in the Company.
- (b) **Partly Paid Shares and Liability for Calls:** Members holding partly paid shares will be liable to pay calls and make contributions in the event of the winding up of the Company in like manner as holders of partly paid shares in any other company limited by shares. At present there are no partly paid shares on issue.
- (c) **Reports and Notices:** Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to Members under the Constitution of the Company ("the Constitution") and the Act.
- (d) **General Meetings:** Members are entitled to be present in person or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Act and the Constitution.
- (e) **Voting:** At a general meeting of the Company, every Member present in person or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every Member present in person or by proxy, attorney or representative has one vote for every share held. A qualification to the above is that where a person is present at a meeting as proxy or representative for more than one Member then on a show of hands that person shall have only one vote and not one vote for each person represented by him.

A Member who holds a share that is not fully paid shall be entitled to a fraction of a vote equal to the proportion that the amount paid-up bears to the total issue price of the share.

The present constitution requires that directors of companies that have a sole director and a sole company secretary must state this when completing documents such as a proxy, appointment of corporate representative or power of attorney. The Constitution recognises the amendments to the Corporations Act which permit proprietary companies to not have a secretary and provides for such documents signed by a sole director of a company without a secretary to be valid.

- (f) **Dividends:** The Directors may declare and authorise the distribution, from the profits of the Company, of dividends to be distributed to Members according to their rights and interests.
- (g) **Reduction of Capital:** The Company may only reduce its capital in such manner as may be permitted by the provisions of the Act from time to time.
- (h) **Borrowing and Lending Powers:** The Company may borrow and lend in such manner as may be permitted by the provisions of the Act from time to time.
- (i) **Winding Up:** Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them respectively, less any amount which remains unpaid on their shares at the time of distribution.
- (j) **Transfer of Shares:** Subject to the Constitution and the Act, the shares will be freely transferable.
- (k) **Future Increases in Capital:** The allotment and issue of shares is under the control of the Directors of the Company. Subject to restrictions on the allotment of shares to Directors or their Associates contained in the Constitution and the Act, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.
- (l) **Variation of Rights:** The rights, privileges and restrictions attaching to ordinary shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three-quarters majority of those holders who, being entitled to do so, vote at that meeting or with the written consent of the holders of at least three-quarters of the ordinary shares on issue, within two months of that general meeting.
- (m) **Directors:** The Constitution contains provisions relating to the rotation of Directors (other than managing directors and alternate directors).

## 2.2 Terms of the Options

The terms and conditions of the Options extant at the date of this OIS are as set out below.

### **Options Expiring 30 June 2009, Exercisable at A\$0.25 (25 cents) ("Options")**

The Optionholder will be entitled to subscribe for and be allotted an ordinary share on the following terms:

- (i) The option shall expire at 5:00pm (AEST) on 30 June 2009 ("Expiry Date").
- (ii) Each option shall entitle the Optionholder to subscribe for one (1) ordinary share in the capital of the Company. A share issued on the exercise of the option will be a fully paid ordinary share and will rank equally in all respects with the then existing

issued ordinary fully paid shares in the capital of the Company from the date of issue and will be subject to the provisions of the Constitution.

- (iii) The option may be transferred at any time in accordance with the Act, the Security Clearing House Business Rules and the NSX Listing Rules.
- (iv) The option shall be exercisable at \$0.25 (25 cents) ("Exercise Price").
- (v) The option may be exercisable at any time prior to the Expiry Date by notice of exercise in or to the effect of the form provided to the Optionholder by the Company at the time of grant of the option or otherwise accompanied by payment of the Exercise Price.
- (vi) An Optionholder has no right to a change in the Exercise Price or to any change to the number of underlying securities over which the option can be exercised.
- (vii) The option shall not entitle the holder to participate in new issues of ordinary shares offered to Members during the currency of the option.
- (viii) In the event of any reorganisation of the capital of the Company, the options shall be treated in the manner required by the NSX Listing Rules in force as at the date of any such reorganisation, and as appropriate to the type of reorganisation proposed.
- (ix) For the purpose of these terms of issue of the options, any reference to "the Company" shall mean a reference to the legal entity comprising the Company or, if the Company shall at any time enter into a scheme of arrangement with its Members; pursuant to which its Members:
  - (A) become entitled to exchange their shares in the Company for shares in another corporation (whether incorporated pursuant to the laws of any State of Australia or otherwise);
  - (B) receive shares (and nothing else) in another corporation (whether incorporated pursuant to the laws of any State of Australia or otherwise) in return for the cancellation or redemption of all of their shares in the capital of the Company;

then the reference to "the Company" in these terms and conditions shall constitute a reference to the Company until such time as the securities of the Company shall be suspended from quotation on any stock exchange on which they may be listed and thereafter shall constitute a reference to the corporation which shall have become the parent company of the Company as a result of such scheme of arrangement and the Company covenants with the Optionholder that in such circumstances it shall procure such other corporation to agree to issue and allot New Shares in that corporation on the exercise of this option. For the purpose of this clause "New Shares" includes an interest in shares, whether comprising a fractional entitlement to a share, a whole share or a multiple number of shares.

## **2.3 Proposed Change to Terms of the Options**

The Company has made an offer to all Optionholders to modify the terms of the Options by extending the expiry date from 30 June 2009 until 31 December 2010. That offer further modifies the terms of exercise to permit the Options to either:

- (i) Be paid up in full on exercise on or before 31 December 2010; or
- (ii) Become a partly paid or contributing share by a payment of \$0.05 (5 cents) to be made on exercise on 31 December 2010, with a further instalment of \$0.10 (10 cents) on 31 December 2011 and a final instalment of \$0.10 (10 cents) on 31 December 2012.

Optionholders can elect to retain the current terms and conditions of the Options they hold, as outlined at clause 2.2 above, or choose the modified terms and conditions. This election must be made by 30 June 2009. Where Optionholders accept the offer made to them, as described in this clause 2.3, the terms of the Options held by them will be modified to those set out in that offer.

## **2.4 Terms of the Offer Options for subscription under this OIS**

The terms and conditions of the options offered for subscription under this OIS ("Offer Options") are as modified by the proposed change to the existing options ("Options") so that the Options (to the extent that they are not exercised or do not lapse unexpired) and the Offer Options will all provide the alternative terms of exercise set out in clause 2.3 above.

## **3. ADDITIONAL INFORMATION**

### **3.1 Corporate Governance**

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals and monitoring of the business and affairs of the Company on behalf of the Shareholders.

Given that the Company is small, with limited activities and limited resources and has a small board of directors, it has not established a series of committees to address specific areas of corporate governance. Corporate governance is dealt with by the Board acting as a committee in relation to the various areas or issues required to be considered.

Important to a culture of actively addressing the area of corporate governance is the Board's ongoing review of the Company's relevant practices. This is done via benchmarking against the ASX Corporate Governance Principles and Recommendations document issued by the ASX Corporate Governance Council ("the Council").

The Council's eight principles are addressed by the Company and are to be reported on in each annual report; where the corporate governance practices applied and specific instances where the Company follows alternative practices to those established by the Council are to be described.

The Board has established itself as two committees to separately address the areas of Audit and Compliance and Remuneration. Each of the Directors is a member of those committees, with any interested Director(s) abstaining or being absent as required either by the Act or as necessary to avoid conflict or possible breach of their fiduciary duties.

#### **Audit and Compliance Committee**

The function of an Audit and Compliance Committee is to give additional assurance regarding the quality and reliability of financial information used by the Board and regarding the financial information provided by the Company pursuant to its statutory reporting requirements.

Aspects of the audit and compliance function addressed by the Board are: to consider any matters relating to the financial affairs of the Company, compliance with statutory requirements, adherence to applicable Listing Rules and issues relating to internal and external audit. Additional to those aspects, the Board examines any other matters of an audit or compliance nature that come to its attention or are referred to it.

#### **Remuneration Committee**

The function of a Remuneration Committee is reviewing the remuneration policies and practices of the Company. Where relevant, this review covers compensation arrangements for executives, the Company's superannuation arrangements, the requirements for an employee share and option plan, performance reviews, succession planning and the fees of non-executive Directors.

When addressing these areas, the non-interested Directors who carry out these functions have access to independent advice and comparative studies on the appropriateness of



remuneration arrangements. Existing director remuneration levels are as set out below in clauses 3.7.

In the event of exploration success or expansion of the Company's operations beyond those currently capable of being undertaken, the remuneration levels of Directors may increase; but not beyond the approved limit set by the Shareholders for directors fees. It should be noted that directors remuneration as fixed in general meeting does not include salary (and associated benefits, including superannuation) payable to Executive Directors.

### 3.2 Dividend Policy

The Company will not pay dividends in the foreseeable future.

### 3.3 Consents

**Patersons Securities Limited** ("Patersons") has given and has not, before the date of this OIS, withdrawn its written consent to be named in this OIS as Lead Manager to the Offer in the form and context in which it is named. Patersons was not involved in the preparation of any part of this OIS, did not authorise or cause the issue of this OIS and expressly disclaims and takes no responsibility for any material in, or omission from, this OIS and makes no express or implied representation or warranty in relation to the Company, the OIS or the Offer and does not make any statement in the OIS, nor is any statement in it based on a statement made by Patersons.

**BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd** ("BDO") has given and not withdrawn its written consent to be named in the OIS as Auditor of the Company and the Group in the form and context in which it is so named. In addition, BDO has given and not withdrawn its written consent to the despatch of this OIS with its Independent Audit Report, in respect of the 12 month period ended 30 April 2009 and references thereto, being included in the form and context such report and references thereto are included in this OIS. BDO has had no involvement in the preparation of this OIS, other than consenting to the inclusion of its report and such references to it and BDO has not given any professional or other advice in respect of any other part of this OIS. BDO does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this OIS.

**Link Market Services Limited** ("Link") has given and not withdrawn its written consent to be named in this OIS as the Share Registry to the Company in the form and context in which it is so named. In addition, Link has given and not withdrawn its written consent to the despatch of this OIS. Link has had no involvement in the preparation of this OIS and has not given any professional or other advice in respect of any part of this OIS. Link does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this OIS.

**Dr Simon Sturrock B.Sc.(Hons), Ph.D** has given and not withdrawn his written consent to be named in this OIS as Consultant Geophysicist / Exploration Manager to the Company in the form and context in which he is so named and to the inclusion of statements as to his qualifications, experience and background being included under his name in Section 6 above in the form and context in which they are included in this OIS.

**Mr James M D Willis LL.M(Hons), Dip Acc** has given and not withdrawn his written consent to be named in this OIS as Consultant and Managing Director of Albers Group (of which the Company forms part) in the form and context in which he is so named and to the inclusion of statements as to his qualifications, experience and background being included under his name in Section 6 above in the form and context in which they are included in this OIS.

**Mr Robert J Wright B. Bus, CPA** has given and not withdrawn his written consent to be named in this OIS as Chief Financial Officer of the Company in the form and context in which he is so named and to the inclusion of statements as to his qualifications, experience and background being included under his name in Section 6 above in the form and context in which they are included in this OIS.

### 3.4 Interests of Directors, Advisers and Named Persons

Except as otherwise set out in this OIS, no Director, expert or professional adviser named in this OIS has now, nor during the last two years has had, any interest in the promotion of the Company or any interest in any property proposed to be acquired by the Company in connection with its formation or its promotion or the Offer. Further, no sums have been paid or agreed to be paid to a Director, expert or professional adviser in cash or shares or otherwise by any person (in the case of a Director) either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him in connection with the promotion or formation of the Company or the Offer or (in the case of an expert or professional adviser) for services rendered by the expert or professional adviser in connection with the promotion or formation of the Company or the Offer, save as set out in this OIS.

At the date of this OIS no such payments have been made save as set out herein and, also save as set out herein, all such payments made in that 2 year period have been paid or are payable in cash.

### 3.5 Directors' and Officers' Other Interests

In addition to the above, the Directors and the Company Secretary:

- (a) hold shares as set out in clause 3.6 below; and
- (b) are entitled to be remunerated as set out in clause 3.7 below.

### 3.6 Directors' and Officers' Share and Option Holdings

The names of each of the Directors and Officers of the Company and the number, description and amount of securities in the capital of the Company presently held by each of them or on their behalf or in which they have or will have a relevant or beneficial interest are set out in the following table.

| Director / Officer | Ordinary Shares | Options to acquire Ordinary Shares exercisable at \$0.25 up to 30 June 2009 |
|--------------------|-----------------|---|
| EG Albers          | 109,802,176     | 20,427,490  |
| PJ Albers          | 73,441,027      | 19,632,490  |
| GA Menzies         | Nil             | 50,000  |
| JG Tuohy           | Nil             | Nil   |

### 3.7 Directors' and Officers' Fees, Remuneration and other entitlements

In addition to interests in securities, details of the nature and amount of each element of the emolument of and fees paid or payable for other services to each Director and the Company Secretary for the period 1 July 2007 to 30 June 2008 and for the 10 months from 1 July 2008 to 30 April 2009 are set out in the following table.

| <b>Directors</b> | <b>Directors Fees<br/>\$</b> | <b>Other<br/>\$</b> | <b>Total<br/>\$</b> |
|------------------|------------------------------|---------------------|---------------------|
| EG Albers        | \$50,186                     | Nil                 | \$50,186            |
| PJ Albers        | \$52,911                     | Nil                 | \$52,911            |
| GA Menzies       | \$34,970                     | \$18,166            | \$53,136            |
| JG Tuohy         | Nil                          | \$26,675            | \$26,675            |

### 3.8 Other Related Party Transactions

Within the knowledge of the Directors, save as set out in this OIS or as previously disclosed in the published financial statements of the Company from time to time, the Company has not entered into any related party transactions which have not previously been disclosed to Members.

Current related party transactions are detailed in the audited financial statements of the Group for the 12 month period ended 30 April 2009 which are attached to and form part of this OIS as Appendix A. Applicants are referred to those financial statements for detailed financial information concerning the Octanex Group.

## **SECTION 11**

### **DIRECTORS' RESPONSIBILITY STATEMENT**

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The Directors of the Company report that for the purposes of Section 731 of the Act, they state that they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this OIS are true and not misleading or deceptive and that, with respect to any other statements made in this OIS by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by Section 716(2) of the Act and those persons have not withdrawn that consent before lodgement of this OIS with ASIC. Each Director of the Company consents to the lodgement of this OIS with ASIC and has not withdrawn that consent prior to this OIS being lodged.

This OIS is prepared on the basis that:

- certain matters may be reasonably expected to be known to professional advisers of the kind with whom Applicants may reasonably be expected to consult; and
- information is known to Applicants or their professional advisers by virtue of any Acts or laws of any State or Territory of Australia or the Commonwealth of Australia.

This Offer Information Statement is dated the 10th day of June 2009.

Signed on behalf of Octanex N.L.



**E.G. Albers**  
Chairman

## SECTION 12

### DEFINITIONS & GLOSSARY

---

#### DEFINITIONS

Terms and expressions are used throughout this Offer Information Statement and unless otherwise stated or unless inconsistent or repugnant with the context in which the term or expression is used, each of the following terms and expressions has the meaning set out below:

|                                     |   |
|-------------------------------------|---|
| <b>\$ or A\$:</b>                   | means references to dollar amounts in Australian currency.  |
| <b>US\$:</b>                        | means references to dollar amounts in United States of America currency.  |
| <b>Acceptance Form:</b>             | means the form to be completed by Applicants who are Members for the number of Shares being applied for.  |
| <b>Act:</b>                         | means the <i>Corporations Act 2001</i> as in force in Australia.  |
| <b>Allotment Date:</b>              | means 2 July 2009, subject to any change to the Closing Date.   |
| <b>Applicants:</b>                  | means those individuals or entities, including Members at the date of this OIS, who/that may consider making an investment in the Company by way of a purchase of Shares.   |
| <b>Application:</b>                 | means a completed Application Form or a completed Acceptance Form.  |
| <b>Application Form:</b>            | means the form to be completed by Applicants who are not Members for the number of Shares (and accompanying Offer Options) being applied for.   |
| <b>Application Money:</b>           | means the amount payable for the number of Shares applied for on the Application or Acceptance Form completed by the Applicant.   |
| <b>ASIC:</b>                        | means Australian Securities and Investments Commission.   |
| <b>Associates:</b>                  | has the meaning given to that term in the Act.  |
| <b>ASX:</b>                         | means ASX Limited (ABN 98 008 624 691).   |
| <b>Board or Directors:</b>          | means the board of directors of Octanex acting in that capacity.  |
| <b>Business Day:</b>                | means, generally, those days other than a Saturday, Sunday, New Years Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day on which ASX or NSX shall declare and publish is not a Business Day. |
| <b>Closing Date:</b>                | means 5:00pm AEST on 26 June 2009, subject to the Directors extending that date or closing the Offer earlier on reaching full subscription.   |
| <b>Company or Octanex:</b>          | means Octanex N.L. (ABN 61 005 632 315) and when in context means the Octanex Group.  |
| <b>Designated Authority:</b>        | means the Federal and/or State government responsible for the physical area that each respective Permit lies within.  |
| <b>Director:</b>                    | means a director of the Company acting in that capacity.  |
| <b>Exmouth:</b>                     | means Exmouth Exploration Pty Ltd (ACN 133 877 326).  |
| <b>Group:</b>                       | when used means the Company and its subsidiaries from time to time and when referring to any other corporate entity means that entity and its controlled or subsidiary entities.  |
| <b>Issue:</b>                       | means the issue of Shares and Offer Options pursuant to the Offer.  |
| <b>Issue Price:</b>                 | means \$0.20 (20 cents) per Share.  |
| <b>Lead Manager:</b>                | means Patersons, the role of which in relation to the Offer is described in Section 5.  |
| <b>Listing Rules:</b>               | means the Listing Rules of ASX or NSX as referred to in each context.   |
| <b>Members:</b>                     | means those persons registered as the holders of Shares at the date of this OIS.  |
| <b>Native Title:</b>                | means the operation of the <i>Native Title Act 1993 (Cwlth)</i> under the auspices of the National Native Title Tribunal.   |
| <b>NSX:</b>                         | means National Stock Exchange of Australia Limited (ABN 11 000 902 063).  |
| <b>Octanex Group:</b>               | means Octanex and its wholly-owned subsidiaries Strata, Exmouth, Octanex Operations Pty Ltd (ACN 101 154 303) and United Oil & Gas Pty Ltd (ACN 104 374 496).   |
| <b>Offer:</b>                       | means the issue of up to 5,000,000 Shares (and accompanying Offer Options) at the Issue Price to raise up to \$1,000,000.   |
| <b>Offer Information Statement:</b> | means this Offer Information Statement and as modified or varied by any supplementary Offer Information Statement given by the Company from time to time.   |
| <b>Officer:</b>                     | means the Company Secretary or any executive of the Company acting in that capacity.  |
| <b>Official List:</b>               | means the list of companies maintained by ASX or NSX in accordance with their respective Listing Rules.   |
| <b>Official Quotation:</b>          | means quotation by ASX or NSX on their respective Official List.  |
| <b>Opening Date:</b>                | means 9:00am AEST on 10 June 2009.  |
| <b>Options:</b>                     | means the options expiring on 30 June 2009 that are exercisable at \$0.25 (25 cents) or as their expiry date and/or conditions of exercise may be amended.  |

|                        |  |
|------------------------|--|
| <b>Offer Options:</b>  | means the options offered for subscription pursuant to this OIS which shall expire on 31 December 2010 and that are exercisable at \$0.25 (25 cents) or pursuant to their alternate conditions of exercise as set out in this OIS. |
| <b>Optionholder:</b>   | means any holder of Options or Offer Options.  |
| <b>Patersons:</b>      | means Patersons Securities Limited (AFSL 239 052) and Lead Manager.  |
| <b>Petroleum Act:</b>  | means the <i>Offshore Petroleum Act 2006</i> (formerly the <i>Petroleum (Submerged Lands) Act</i> ) and all subordinate legislation made thereunder.   |
| <b>Q1, Q2, Q3, Q4:</b> | means the first, second, third and fourth calendar quarters of the year respectively   |
| <b>Shares:</b>         | means the ordinary shares of the Company.  |
| <b>Strata:</b>         | means Strata Resources Pty Ltd (ABN 28 007 687 612), formerly Strata Resources NL.   |
| <b>Stock Exchange:</b> | means any stock exchange on which Octanex securities are listed from time to time (including, but not limited to, NSX).  |
| <b>Stock Market</b>    | means a stock market conducted by any Stock Exchange.  |

## GLOSSARY OF TECHNICAL & INDUSTRY TERMS

|                                   |  |
|-----------------------------------|--|
| <b>basin:</b>                     | a depression of large size in which sediments have accumulated.  |
| <b>condensate:</b>                | hydrocarbons that spontaneously separate out from natural gas at the wellhead and condense to a liquid.  |
| <b>exploration well:</b>          | a well drilled to determine whether hydrocarbons are present in a particular structure.  |
| <b>graticular block:</b>          | means a graticular block as defined in the Petroleum Act   |
| <b>hydrocarbons:</b>              | naturally occurring organic compounds containing only the elements hydrogen and carbon existing as solids, liquids or gases.   |
| <b>Joint Venture:</b>             | the joint owners of a permit who carry out the exploration activity in that permit.  |
| <b>Joint Operating Agreement:</b> | the formal agreement which governs the activities of the relevant Joint Venture – see Section 10 at clause 1.2.  |
| <b>lead:</b>                      | inferred geologic feature or structural pattern requiring further investigation.   |
| <b>Operator:</b>                  | the party in the Joint Venture charged with carrying out the exploration activities within that permit   |
| <b>petroleum:</b>                 | a generic name for hydrocarbons, including crude oil, condensate, natural gas and their products.  |
| <b>prospect:</b>                  | a feature thought to be sufficiently defined to warrant the drilling of a well without the necessity of further investigation.   |
| <b>permit:</b>                    | is a permit issued by a Designated Authority in which the Company has an interest and within which either the Octanex Group solely or the relevant Joint Venture carries out exploration activity. |
| <b>reservoir:</b>                 | pervious and porous rocks (usually sandstone, limestone or dolomite) capable of containing significant quantities of hydrocarbons.   |
| <b>sediment:</b>                  | solid material, whether mineral or organic, that has been moved from its position of origin and redeposited.   |
| <b>seal:</b>                      | an impermeable rock (usually claystone or shale) that prevents the passage or further migration of hydrocarbons.   |
| <b>seismic survey:</b>            | a technique for determining the detailed structure of the rocks underlying a particular area by passing acoustic shock waves into the strata and detecting and measuring the reflected signals.    |
| <b>source rocks:</b>              | rocks (usually shales, claystone or coal) that have generated or are in the process of generating significant quantities of hydrocarbons.  |
| <b>spudding:</b>                  | commencing the drilling of a well.   |
| <b>structure:</b>                 | deformed sedimentary rocks where the configuration is such as to form a trap for migrating hydrocarbons.   |
| <b>tenement:</b>                  | is any form of permit or licence that can be issued by a Designated Authority with a view to the holder(s) of that tenement carrying out exploration activity.                                     |
| <b>trap:</b>                      | a body of reservoir rock, vertically or laterally sealed, the attitude of which allows it to retain hydrocarbons that have migrated into it.   |

## ABBREVIATIONS

|                   |   |
|-------------------|---|
| <b>2D seismic</b> | seismic data collected on a two-dimensional basis   |
| <b>3D seismic</b> | seismic data collected on a three-dimensional basis   |
| <b>AVO</b>        | 'amplitude versus offset' that describes a return from seismic data and can be an indicator of hydrocarbons |
| <b>OBC</b>        | 'off-bottom cable' - a method of collecting 3D seismic data   |



|                 |   |
|-----------------|---|
| km              | kilometre(s)  |
| km <sup>2</sup> | square kilometre  |
| m               | metre   |
| M               | million   |
| pa              | per annum   |
| ST              | side-track well   |
| TCF             | trillion cubic feet (of gas)                                      |
| TD              | target depth – the planned final depth a well is to be drilled to |

# **APPENDIX A**

## **OCTANEX N.L.**

**ABN 61 005 632 315**

### **FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 APRIL 2009**

# OCTANEX NL

ABN 61 005 632 315

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## DIRECTORY

### BOARD OF DIRECTORS

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

### SECRETARY

J.G. Tuohy

### REGISTERED OFFICE AND PRINCIPAL ADMINISTRATION OFFICE

Level 21,  
500 Collins Street,  
Melbourne, Victoria 3000

Telephone: +61 (03) 8610 4702  
Facsimile: +61 (03) 8610 4799  
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 Australia  
Website: [www.newsx.com.au](http://www.newsx.com.au)

### NSX Code:

**OCT** Ordinary Shares  
**OCTOF** Options 30 June 2009

### INCORPORATED IN VICTORIA

13 March 1980

### WEBSITE

[www.octanex.com.au](http://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.

## DIRECTORS' REPORT

The directors present their report on the results of Octanex NL (the “company” or “Octanex” or “consolidated entity” or “group”) for the year ended 30 April 2009.

### DIRECTORS

The directors in office during the entire 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.

### COMPANY SECRETARY

**JG Tuohy** BCA, CA

For over twenty years Mr Tuohy has acted as Company Secretary to public listed companies in New Zealand. The first half of that period he spent in the oil and gas sector, initially administering three oil and gas exploration companies in which Mr Albers was a director and which he had originally taken to listing. He then acted for only one of them, Southern Petroleum N.L., when it became a successful oil and gas production company. Following the privatisation of Southern Petroleum, Mr Tuohy acted in a forensic accounting capacity in a multi-party legal action, then returning to a public company secretarial position in the motor vehicle industry where he spent the next 10 years. In these positions Mr Tuohy has been involved in the various aspects of public and private company administration, especially as this relates to the oil and gas exploration sector and to public listed company activities, obligations and requirements. He relocated to Australia in 2008 to take up the position of Company Secretary to a number of Mr Albers' and his associates' group of companies, of which Octanex is one. He was appointed to this position on 17 September 2008. Mr Tuohy is a chartered accountant in New Zealand.

**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.

|            | <b>Meetings<br/>Held</b> | <b>Meetings<br/>Attended</b> |
|------------|--------------------------|------------------------------|
| EG Albers  | 4                        | 4                            |
| PJ Albers  | 4                        | 4                            |
| GA Menzies | 4                        | 4                            |

Following the reduction of the number of directors to three in 2007, audit committee activities were 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:

|            | <b>Ordinary<br/>Shares</b> | <b>30/6/2009<br/>Options</b> |
|------------|----------------------------|------------------------------|
| EG Albers  | 109,802,176                | 20,427,490                   |
| PJ Albers  | 73,441,027                 | 19,632,490                   |
| GA Menzies | -                          | 50,000                       |

The above interests of EG Albers and PJ Albers includes 70,378,527 shares and 19,632,490 options in which each director is deemed to hold a relevant interest.

**PRINCIPAL ACTIVITIES**

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

**OPERATING RESULT FOR THE YEAR**

The consolidated entity, being the company and its controlled entities, recorded a profit for the year ended 30 April 2009 after income tax of \$7,649,662 (2007: \$685,268). The comparative period is the year ended 30 June 2007. This is the first financial year completed before the current reporting period commenced. This is required under the Australian Securities and Investment Commission's Regulatory Guide RG157.10.

**CHANGE IN STATE OF AFFAIRS**

During the financial year the company acquired 100% of the shares of Strata Resources NL and Exmouth Exploration Pty Ltd. These two companies share interests in offshore petroleum exploration permits with Octanex. There was no other 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.

**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 group holds an interest and the success of our material investments in Cue Energy Resources Limited, Babcock and Brown Power and Orion Petroleum Limited.

**DIVIDENDS**

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

**DIRECTORS' REPORT (Continued)****REVIEW OF OPERATIONS**

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

**PETROLEUM EXPLORATION INTERESTS**

The group holds direct and indirect interests in 13 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 four are located on the Exmouth Plateau (WA-362-P, WA-363-P, WA-386-P and WA-387-P). The remaining two permits are in the Otway Basin in south eastern Australia (EPP 34 and VIC/P61 (the latter interest is being earned pursuant to a farmout arrangement)).

Further details of exploration activities are contained within the body of the Offer Information Statement, of which this financial report forms a part.

**REMUNERATION REPORT**

This remuneration report is audited.

The board of directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the company secretary. 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.

In accordance with the company's constitution, directors' non-executive remuneration was approved by shareholders at \$60,000 per annum. During the year ended 30 April 2009, directors were remunerated a total of \$69,033 (2007: \$60,837) which included shareholder approved non-executive remuneration of \$46,097 (2007: \$39,037). The comparative period is the year ended 30 June 2007. This is the first financial year completed before the current reporting period commenced.

There is no performance related remuneration. Remuneration paid to directors covers all board activities including serving on committees. The directors do not receive employee benefits such as 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.

AP Armitage resigned 30 July 2007. CR Hart resigned 21 August 2006.



**DIRECTORS' REPORT (Continued)**
**REMUNERATION REPORT (continued)**

|                          | Year <sup>1</sup> | Short Term Employment Benefits |                           |        | Post Employment          |                       | Total          |
|--------------------------|-------------------|--------------------------------|---------------------------|--------|--------------------------|-----------------------|----------------|
|                          |                   | Directors<br>Fees              | Other<br>Fees             | Salary | Superannuation           | Retirement<br>Benefit |                |
|                          |                   | \$                             | \$                        | \$     | \$                       | \$                    | \$             |
| <b>Directors</b>         |                   |                                |                           |        |                          |                       |                |
| <b>EG Albers</b>         | <b>2009</b>       | -                              | -                         | -      | <b>22,936</b>            | -                     | <b>22,936</b>  |
|                          | 2007              | -                              | -                         | -      | 21,800                   | -                     | 21,800         |
| <b>PJ Albers</b>         | <b>2009</b>       | -                              | -                         | -      | <b>22,936</b>            | -                     | <b>22,936</b>  |
|                          | 2007              | -                              | -                         | -      | 10,900                   | -                     | 10,900         |
| <b>AP Armitage</b>       | <b>2009</b>       | -                              | -                         | -      | -                        | -                     | -              |
|                          | 2007              | -                              | 12,237                    | -      | -                        | -                     | 12,237         |
| <b>CR Hart</b>           | <b>2009</b>       | -                              | -                         | -      | -                        | -                     | -              |
|                          | 2007              | -                              | 5,000                     | -      | -                        | -                     | 5,000          |
| <b>GA Menzies</b>        | <b>2009</b>       | <b>4,583</b>                   | <b>18,166</b>             | -      | <b>412</b>               | -                     | <b>23,161</b>  |
|                          | 2007              | 10,000                         | -                         | -      | 900                      | -                     | 10,900         |
| <b>Total Directors</b>   | <b>2009</b>       | <b>4,583</b>                   | <b>18,166</b>             | -      | <b>46,284</b>            | -                     | <b>69,033</b>  |
|                          | 2007              | 10,000                         | 17,237                    | -      | 33,600                   | -                     | 60,837         |
| <b>Company Secretary</b> |                   |                                |                           |        |                          |                       |                |
| <b>DB Hill</b>           | <b>2009</b>       | -                              | -                         | -      | <b>7,800<sup>2</sup></b> | -                     | <b>7,800</b>   |
|                          | 2007              | -                              | -                         | -      | 1,012                    | -                     | 1,012          |
| <b>JG Tuohy</b>          | <b>2009</b>       | -                              | <b>26,675<sup>3</sup></b> | -      | -                        | -                     | <b>26,675</b>  |
|                          | 2007              | -                              | -                         | -      | -                        | -                     | -              |
| <b>TOTAL</b>             | <b>2009</b>       | <b>4,583</b>                   | <b>44,841</b>             | -      | <b>54,084</b>            | -                     | <b>103,508</b> |
|                          | 2007              | 10,000                         | 17,237                    | -      | 34,612                   | -                     | 61,849         |

<sup>1</sup> 2009 is the year ended 30 April 2009. 2007 is the year ended 30 June 2007. The comparative year is the first completed financial year before the current reporting period commenced.

<sup>2</sup> \$5,025 paid in lieu of salary is included (DB Hill resigned as company secretary 17 Sept 2008)

<sup>3</sup> \$26,675 paid in lieu of salary is included (JG Tuohy was appointed as company secretary 17 Sept 2008).

**Interests in options (exercisable by 30 June 2009 at 25 cents per share)**

|               | Held at    | Granted as   | Exercised | Other     | Held at    | Vested   | Vested and     |
|---------------|------------|--------------|-----------|-----------|------------|----------|----------------|
|               | 1 May 2008 | compensation |           | Changes   | 30 April   | during   | exercisable at |
|               |            |              |           |           |            | the year | 30 April       |
|               |            |              |           |           |            |          | 2009           |
| EG Albers     | 20,527,490 | -            | -         | (100,000) | 20,427,490 | -        | 20,427,490     |
| PJ Albers     | 18,850,970 | -            | -         | 781,520   | 19,632,490 | -        | 19,632,490     |
| GA Menzies(i) | 50,000     | -            | -         | -         | 50,000     | -        | 50,000         |
|               | 39,428,460 | -            | -         | 681,520   | 40,109,980 | -        | 40,109,980     |

Only options held by GA Menzies have been granted as compensation for service. Options held by EG Albers and PJ Albers are held from their participation in the initial public offer in 2003.

(i) On 17 September, 2003 options were agreed to be granted to GA Menzies and the grant was approved by members on 19 November 2003.

**DIRECTORS' REPORT (Continued)****REMUNERATION REPORT (continued)**

The options granted to GA Menzies were valued using the Black-Scholes-Merton model, with the following inputs:

|                            |  |
|----------------------------|--|
| Exercise price:            | 25 cents   |
| Share price at grant date: | 10 cents   |
| Maximum option life        | 5.8 years - for the original expiry date of 30 June 2008 |
| Expected volatility        | 40%  |
| Risk free interest rate    | 6.0%   |

Expected volatility was based on the average volatility of a peer group of six companies within the oil and gas exploration industry. The implied volatility of the companies was in the range of 40% to 99%. The fair value of this share based payment at grant date was \$600.

The options were originally to expire on 30 June 2008; on 23 May 2008 the company extended the option exercise date to 30 June 2009.

Options held as at 30 June 2007 were:

**Interests in options (exercisable by 30 June 2009 at 25 cents per share)**

|            | Held at     | Granted as   | Exercised | Other     | Held at      | Vested          | Vested and                  |
|------------|-------------|--------------|-----------|-----------|--------------|-----------------|-----------------------------|
|            | 1 July 2006 | compensation |           | Changes   | 30 June 2007 | during the year | exercisable at 30 June 2007 |
| EG Albers  | 20,527,490  | -            | -         | -         | 20,527,490   | -               | 20,527,490                  |
| PJ Albers  | 18,850,970  | -            | -         | -         | 18,850,970   | -               | 18,850,970                  |
| CA Hart    | 150,000     | -            | -         | (150,000) | -            | -               | -                           |
| GA Menzies | 50,000      | -            | -         | -         | 50,000       | -               | 50,000                      |
|            | 39,578,460  | -            | -         | (150,000) | 39,428,460   | -               | 39,428,460                  |

CA Hart resigned 21 August 2006.

End of Remuneration Report.

**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)

## DIRECTORS' REPORT (Continued)

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

The group holds 11,263,289 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 10,972,923 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 6,140,000 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)

### **Moby Oil & Gas Ltd (ASX Code: MOG)**

The Group holds 1,863,806 ordinary shares in Moby Oil & Gas Ltd (“Moby”).

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

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

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

The group holds 4,000,000 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)

## DIRECTORS' REPORT (Continued)

### 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.

### 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 Offshore Petroleum Act 2003, 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.

### SHARE CAPITAL

#### *Issue of Ordinary Shares*

The company issued 120,803,657 shares on 20 March 2009 to acquire 100% of the shares of Strata Resources NL and Exmouth Exploration Pty Ltd. There have been no other issue of shares during the year or to the date of signing this report.

#### *Trustee Stock Scheme*

With the approval of its members and the ratification of the Supreme Court of Victoria, Strata Resources NL established a Trustee Stock Scheme, pursuant to which ordinary shares ranking equally with other ordinary shares on issue were issued to a trustee. When those shares are sold by the trustee the net proceeds are paid to the company by way of subscription moneys. At balance date all shares issued to the trustee remained unsold. The trustee does not exercise voting rights in respect of shares held pursuant to the scheme. The trustee has been issued 33,000,000 Octanex shares as part of the acquisition of Strata and these shares are included in the 120,803,657 shares issued on 20 March 2009 as mentioned in the above paragraph on Issue of Ordinary Shares.

**DIRECTORS' REPORT (Continued)****OPTIONS**

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 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.

The options were originally exercisable on or before 30 June 2008. On the 23<sup>rd</sup> May 2008 the company extended the exercise date to 30 June 2009.

| <i>30 June 2009 Listed Options – exercisable at 25 cents</i> | <b>April 30<br/>2009<br/>Options</b> | <b>June 30<br/>2007<br/>Options</b> |
|--|--------------------------------------|-------------------------------------|
| Balance at beginning of year                                 | 30,244,296                           | 30,244,296                          |
| Options expired 30 June 2008(i)                              | (1,236,716)                          | -                                   |
| Options exercised 30 June 2008                               | (152,870)                            | -                                   |
| Options issued 10 July 2008                                  | 60,000                               | -                                   |
| Balance at end of year(ii)                                   | <u>28,914,710</u>                    | <u>30,244,296</u>                   |

- (ii) Options, the holders of which did not elect to extend the expiry date.  
(ii) On the 23<sup>rd</sup> May 2008 the original exercise date of these options was extended by one year from 30 June 2008 to 30 June 2009.

**Unlisted Options**

Under the terms of the Consultancy Services Agreement with Upstream Consulting Pty Ltd ("Upstream"), which were agreed by a directors' resolution signed on 31 July 2007, the following extant options over ordinary fully paid shares in Octanex were granted to Upstream.

| Tranche/options | Exercise Price | Exercisable<br>on or before |
|-----------------|----------------|-----------------------------|
| 1. 750,000      | \$0.40         | 30 June 2009                |
| 2. 750,000      | \$0.50         | 30 June 2010                |
| 3. 750,000      | \$0.60         | 30 June 2011                |
| 4. 750,000      | \$0.70         | 30 June 2012                |

From the merger of Octanex and Strata, announced on the 17 March 2009, the incentive arrangements Upstream previously held with Strata were cancelled and replaced by a new set of incentives with Octanex. These arrangements were in addition to that described above and in Note 10. The following additional options over ordinary fully paid shares in Octanex were granted to Upstream.

| Tranche/options | Exercise Price | Exercisable<br>on or before |
|-----------------|----------------|-----------------------------|
| 1. 500,000      | \$0.2424       | 30 June 2009                |
| 2. 500,000      | \$0.3030       | 30 June 2010                |
| 3. 500,000      | \$0.3636       | 30 June 2011                |
| 4. 500,000      | \$0.4242       | 30 June 2012                |

**DIRECTORS' REPORT (Continued)**

|                               | <b>April 30<br/>2009<br/>Options</b> | <b>June 30<br/>2007<br/>Options</b> |
|-------------------------------|--------------------------------------|-------------------------------------|
| <i>Unlisted Options</i>       |                                      |                                     |
| Balance at beginning of year  | 3,000,000                            | -                                   |
| Options granted 17 March 2009 | 2,000,000                            | -                                   |
| Balance at end of year        | <u>5,000,000</u>                     | <u>-</u>                            |

**SIGNIFICANT EVENTS AFTER BALANCE DATE**

There are no significant events that have occurred after balance date.

**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 year ended 30 April 2009.

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

Signed in accordance with a resolution of the directors in Melbourne, 28 May 2009.



EG Albers  
Director

Melbourne, 28 May 2009



## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:

- (a) comply with Accounting Standards and the Corporations Regulations 2001; and
- (b) give a true and fair view of the company's and the consolidated entity's financial position as at 30 April 2009 and of its performance for the year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the company and the consolidated entity will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in pages 3 to 5 of the directors' report, (as part of audited Remuneration Report), for the year ended 30 April 2009, comply with section 300A of the Corporations Act 2001.

4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



EG Albers  
Director

Melbourne, 28 May 2009

**INCOME STATEMENT****YEAR ENDED 30 APRIL 2009**

|   | NOTE | Consolidated           |                       | The Company            |                       |
|---|------|------------------------|-----------------------|------------------------|-----------------------|
|   |      | 30 April<br>2009<br>\$ | 30 June<br>2007<br>\$ | 30 April<br>2009<br>\$ | 30 June<br>2007<br>\$ |
| Income                                      | 2    | 17,480,978             | 1,199,125             | 17,433,619             | 1,199,125             |
| Expenses                                    | 3    | (6,307,968)            | (244,187)             | (6,466,793)            | (244,187)             |
|   |      | <hr/>                  | <hr/>                 | <hr/>                  | <hr/>                 |
| Profit before tax                           |      | 11,173,010             | 954,938               | 10,966,826             | 954,938               |
| Income tax expense                          | 4    | (3,523,348)            | (269,670)             | (3,498,169)            | (269,670)             |
|   |      | <hr/>                  | <hr/>                 | <hr/>                  | <hr/>                 |
| Profit after tax                            |      | 7,649,662              | 685,268               | 7,468,657              | 685,268               |
|   |      | <hr/> <hr/>            | <hr/> <hr/>           | <hr/> <hr/>            | <hr/> <hr/>           |
|   |      |                        |                       |                        |                       |
| Basic earnings per share (cent per share)   | 22   | 0.13                   | 0.01                  |                        |                       |
| Diluted earnings per share (cent per share) | 22   | 0.13                   | 0.01                  |                        |                       |

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

**BALANCE SHEET**  
**AT 30 APRIL 2009**

|                                      |             | <b>Consolidated</b>      |                         | <b>The Company</b>       |                         |
|--------------------------------------|-------------|--------------------------|-------------------------|--------------------------|-------------------------|
|                                      | <b>NOTE</b> | <b>30 April<br/>2009</b> | <b>30 June<br/>2007</b> | <b>30 April<br/>2009</b> | <b>30 June<br/>2007</b> |
|                                      |             | <b>\$</b>                | <b>\$</b>               | <b>\$</b>                | <b>\$</b>               |
| <b>CURRENT ASSETS</b>                |             |                          |                         |                          |                         |
| Cash and cash equivalents            | 5           | 31,056,573               | 2,681,902               | 14,286,000               | 2,681,901               |
| Trade and other receivables          | 6           | 109,560                  | 46,611                  | 67,363                   | 46,611                  |
|                                      |             |                          |                         |                          |                         |
| <b>TOTAL CURRENT ASSETS</b>          |             | <b>31,166,133</b>        | <b>2,728,513</b>        | <b>14,353,363</b>        | <b>2,728,512</b>        |
|                                      |             |                          |                         |                          |                         |
| <b>NON-CURRENT ASSETS</b>            |             |                          |                         |                          |                         |
| Other financial assets               | 7           | 6,968,555                | 9,759,189               | 48,373,985               | 8,419,973               |
| Trade and other receivables          |             | -                        | -                       | 3,495                    | -                       |
| Exploration and evaluation assets    | 8           | 46,918,510               | 1,089,069               | 5,928,360                | 1,089,069               |
|                                      |             |                          |                         |                          |                         |
| <b>TOTAL NON-CURRENT ASSETS</b>      |             | <b>53,887,065</b>        | <b>10,848,258</b>       | <b>54,305,840</b>        | <b>9,509,042</b>        |
|                                      |             |                          |                         |                          |                         |
| <b>TOTAL ASSETS</b>                  |             | <b>85,053,198</b>        | <b>13,576,771</b>       | <b>68,659,203</b>        | <b>12,237,554</b>       |
|                                      |             |                          |                         |                          |                         |
| <b>CURRENT LIABILITIES</b>           |             |                          |                         |                          |                         |
| Trade and other payables             | 9           | 305,820                  | 138,626                 | 202,777                  | 138,626                 |
| Current tax liabilities              |             | -                        | 33,217                  | -                        | 33,217                  |
|                                      |             |                          |                         |                          |                         |
| <b>TOTAL CURRENT LIABILITIES</b>     |             | <b>305,820</b>           | <b>171,843</b>          | <b>202,777</b>           | <b>171,843</b>          |
|                                      |             |                          |                         |                          |                         |
| <b>NON-CURRENT LIABILITIES</b>       |             |                          |                         |                          |                         |
| Payables                             | 9           | 6,173,238                | -                       | 3,086,619                | -                       |
| Provision for share based payment    | 10          | 257,538                  | -                       | 257,538                  | -                       |
| Deferred tax liabilities             | 11          | 13,646,132               | 2,694,758               | 1,165,653                | 2,292,994               |
|                                      |             |                          |                         |                          |                         |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |             | <b>20,076,908</b>        | <b>2,694,758</b>        | <b>4,509,810</b>         | <b>2,292,994</b>        |
|                                      |             |                          |                         |                          |                         |
| <b>TOTAL LIABILITIES</b>             |             | <b>20,382,728</b>        | <b>2,866,601</b>        | <b>4,712,587</b>         | <b>2,464,837</b>        |
|                                      |             |                          |                         |                          |                         |
| <b>NET ASSETS</b>                    |             | <b>64,670,470</b>        | <b>10,710,170</b>       | <b>63,946,616</b>        | <b>9,772,717</b>        |
|                                      |             |                          |                         |                          |                         |
| <b>EQUITY</b>                        |             |                          |                         |                          |                         |
| Contributed equity                   | 12          | 46,803,406               | 3,956,700               | 46,873,906               | 3,956,700               |
| Reserves                             |             | 1,478,699                | 5,250,233               | 1,144,801                | 4,592,229               |
| Retained earnings                    |             | 16,388,365               | 1,503,237               | 15,927,909               | 1,223,788               |
|                                      |             |                          |                         |                          |                         |
| <b>TOTAL EQUITY</b>                  |             | <b>64,670,470</b>        | <b>10,710,170</b>       | <b>63,946,616</b>        | <b>9,772,717</b>        |

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

**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 30 APRIL 2009**

|  | <b>Issued<br/>Capital<br/>\$</b> | <b>Asset<br/>Revaluation<br/>Reserve<br/>\$</b> | <b>Option<br/>Reserve<br/>\$</b> | <b>Retained<br/>Earnings<br/>\$</b> | <b>Total<br/>Equity<br/>\$</b> |
|--|----------------------------------|---|----------------------------------|-------------------------------------|--------------------------------|
| <b>CONSOLIDATED</b>                                      |                                  |   |                                  |                                     |                                |
| At 1 May 2008  | 3,956,700                        | 3,818,489                                       | 75,090                           | 8,738,703                           | 16,588,982                     |
| Options exercised  | 263,218                          | -   | -                                | -                                   | 263,218                        |
| Options issued   | 1,800                            | -   | -                                | -                                   | 1,800                          |
| Shares issued  | 42,581,688                       | -   | -                                | -                                   | 42,581,688                     |
| Loss on revaluation of<br>financial assets at fair value | -                                | (3,591,659)                                     | -                                | -                                   | (3,591,659)                    |
| Tax on items taken directly<br>to equity                 | -                                | 1,077,498                                       | -                                | -                                   | 1,077,498                      |
| Fair value of share options granted                      | -                                | -   | 99,281                           | -                                   | 99,281                         |
| Net income recognised directly in<br>equity              | 42,846,706                       | (2,514,161)                                     | 99,281                           | -                                   | 40,431,826                     |
| Profit for the period                                    | -                                | -   | -                                | 7,649,662                           | 7,649,662                      |
| Total recognised income and<br>expense for the period    | <u>42,846,706</u>                | <u>(2,514,161)</u>                              | <u>99,281</u>                    | <u>7,649,662</u>                    | <u>48,081,488</u>              |
| At 30 April 2009   | <u>46,803,406</u>                | <u>1,304,328</u>                                | <u>174,371</u>                   | <u>16,388,365</u>                   | <u>64,670,470</u>              |
| At 1 July 2006   | 3,956,700                        | 3,672,531                                       | -                                | 817,969                             | 8,447,200                      |
| Investments disposed –<br>revalued amount                | -                                | (315,627)                                       | -                                | -                                   | (315,627)                      |
| Gain on revaluation of<br>financial assets at fair value | -                                | 2,704,753                                       | -                                | -                                   | 2,704,753                      |
| Tax on items taken directly<br>to equity                 | -                                | (811,424)                                       | -                                | -                                   | (811,424)                      |
| Net income recognised directly in<br>equity              | -                                | 1,577,702                                       | -                                | -                                   | 1,577,702                      |
| Profit for the period                                    | -                                | -   | -                                | 685,268                             | 685,268                        |
| Total recognised income and<br>expense for the period    | -                                | <u>1,577,702</u>                                | -                                | <u>685,268</u>                      | <u>2,262,970</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>              |

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

**STATEMENT OF CHANGES IN EQUITY (Continued)**  
**YEAR ENDED 30 APRIL 2009**

| <b>COMPANY</b>   | <b>Issued<br/>Capital<br/>\$</b> | <b>Asset<br/>Revaluation<br/>Reserve<br/>\$</b> | <b>Option<br/>Reserve<br/>\$</b> | <b>Retained<br/>Earnings<br/>\$</b> | <b>Total<br/>Equity<br/>\$</b> |
|--|----------------------------------|---|----------------------------------|-------------------------------------|--------------------------------|
| At 1 May 2008  | 3,956,700                        | 2,808,942                                       | 75,090                           | 8,459,252                           | 15,299,984                     |
| Options exercised  | 263,218                          | -   | -                                | -                                   | 263,218                        |
| Options issued   | 1,800                            | -   | -                                | -                                   | 1,800                          |
| Shares issued  | 42,652,188                       | -   | -                                | -                                   | 42,652,188                     |
| Loss on revaluation of<br>financial assets at fair value | -                                | (2,626,446)                                     | -                                | -                                   | (2,626,446)                    |
| Tax on items taken directly<br>to equity                 | -                                | 787,934   | -                                | -                                   | 787,934                        |
| Fair value of share options granted                      | -                                | -   | 99,281                           | -                                   | 99,281                         |
| Net income recognised directly in<br>equity              | 42,917,206                       | (1,838,512)                                     | 99,281                           | -                                   | 41,177,975                     |
| Profit for the period                                    | -                                | -   | -                                | 7,468,657                           | 7,468,657                      |
| Total recognised income and<br>expense for the period    | 42,917,206                       | (1,838,512)                                     | 99,281                           | 7,468,657                           | 48,646,632                     |
| At 30 April 2009   | 46,873,906                       | 970,430   | 174,371                          | 15,927,909                          | 63,946,616                     |
| At 1 July 2006   | 3,956,700                        | 2,897,348                                       | -                                | 538,520                             | 7,392,568                      |
| Investments disposed –<br>revalued amount                | -                                | (315,627)                                       | -                                | -                                   | (315,627)                      |
| Gain on revaluation of<br>financial assets at fair value | -                                | 2,872,155                                       | -                                | -                                   | 2,872,155                      |
| Tax on items taken directly<br>to equity                 | -                                | (861,647)                                       | -                                | -                                   | (861,647)                      |
| Net income recognised directly in<br>equity              | -                                | 1,694,881                                       | -                                | -                                   | 1,694,881                      |
| Profit for the period                                    | -                                | -   | -                                | 685,268                             | 685,268                        |
| Total recognised income and<br>expense for the period    | -                                | 1,694,881                                       | -                                | 685,268                             | 2,380,149                      |
| At 30 June 2007  | 3,956,700                        | 4,592,229                                       | -                                | 1,223,788                           | 9,772,717                      |

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 APRIL 2009**

|  | <b>Consolidated</b>      |                         | <b>The Company</b>       |                         |
|--|--------------------------|-------------------------|--------------------------|-------------------------|
|  | <b>30 April<br/>2009</b> | <b>30 June<br/>2007</b> | <b>30 April<br/>2009</b> | <b>30 June<br/>2007</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |                         |                          |                         |
| Proceeds from sale of tenement   | 15,699,525               | -                       | 15,699,525               | -                       |
| Interest received  | 1,338,642                | 109,728                 | 1,302,631                | 109,728                 |
| Payments to suppliers - exploration  | (2,173,970)              | (79,298)                | (2,161,524)              | (79,298)                |
| Payments to suppliers - other  | (1,042,469)              | (109,742)               | (1,020,156)              | (109,742)               |
| Payments of income tax   | (6,162,022)              | -                       | (6,162,022)              | -                       |
| <b>Net cash inflow/(outflow) from operating activities(i)</b>                                    | <b>7,659,706</b>         | <b>(79,312)</b>         | <b>7,658,454</b>         | <b>(79,312)</b>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                          |                         |                          |                         |
| Cash from acquired subsidiaries(ii)  | 16,901,826               | -                       | -                        | -                       |
| Proceeds from sale of investments  | -                        | 1,098,501               | -                        | 1,098,501               |
| Acquisition of investments   | (6,509,200)              | (5,000)                 | (6,373,200)              | (5,000)                 |
| Loans to related parties   | -                        | -                       | (3,495)                  | -                       |
| <b>Net cash inflow/(outflows) from investing activities</b>                                      | <b>10,392,626</b>        | <b>1,093,501</b>        | <b>(6,376,695)</b>       | <b>1,093,501</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                          |                         |                          |                         |
| Proceeds from options exercised  | 265,018                  | -                       | 265,018                  | -                       |
| <b>Net cash inflow from financing activities</b>   | <b>265,018</b>           | <b>-</b>                | <b>265,018</b>           | <b>-</b>                |
| <b>Net increase in cash and cash equivalents</b>   | <b>18,317,350</b>        | <b>1,014,189</b>        | <b>1,546,777</b>         | <b>1,014,189</b>        |
| Exchange gains / (losses)  | 22,798                   | (12,472)                | 22,798                   | (12,472)                |
| <b>Cash and cash equivalents at beginning of the year</b>  | <b>12,716,425</b>        | <b>1,680,185</b>        | <b>12,716,425</b>        | <b>1,680,184</b>        |
| <b>CASH AND CASH EQUIVALENTS<br/>AT 30 APRIL 2009</b>  | <b>31,056,573</b>        | <b>2,681,902</b>        | <b>14,286,000</b>        | <b>2,681,901</b>        |
| <b>(i) RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH PROFIT AFTER<br/>INCOME TAX</b> |                          |                         |                          |                         |
| Profit after income tax  | 7,649,662                | 685,268                 | 7,468,657                | 685,268                 |
| <i>Non cash items:</i>   |                          |                         |                          |                         |
| Gain on sale of investments  | -                        | (1,089,397)             | -                        | (1,089,397)             |
| Impairment loss on available for sale investments  | 2,883,943                | -                       | 2,897,943                | -                       |
| Effect of exchange rate changes on the<br>balances held in foreign currency                      | 264,111                  | 12,472                  | 432,989                  | 12,472                  |
| Write-back of provision for<br>retirement benefit  | -                        | (18,166)                | -                        | (18,166)                |
| Share based payments expense   | 313,232                  | -                       | 313,232                  | -                       |
| <i>Changes in assets and liabilities:</i>  |                          |                         |                          |                         |
| Decrease in receivables  | 43,189                   | 246,416                 | 7,213                    | 246,416                 |
| Increase (decrease) in payables  | 64,128                   | (49,146)                | 96,874                   | (49,146)                |
| (Decrease) increase in tax liabilities   | (1,379,536)              | 269,670                 | (1,421,877)              | 269,670                 |
| Increase in exploration and evaluation assets  | (2,179,023)              | (136,429)               | (2,136,577)              | (136,429)               |
| <b>Net Cash inflow/(outflow) from Operating<br/>Activities</b>                                   | <b>7,659,706</b>         | <b>(79,312)</b>         | <b>7,658,454</b>         | <b>(79,312)</b>         |

(ii) The business combination of Strata Resources N.L. as disclosed in note 18 was affected by a share issue and the assets of the acquiree (Strata Resource N.L.) included cash and cash equivalents to the value of \$16,901,826.

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



**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Octanex NL ("Octanex" or "the company") is a company incorporated and domiciled in Australia with its registered office and principal place of business located at level 21, 500 Collins Street, Melbourne, Victoria 3000. The consolidated financial report of the company for the year ended 30 April 2009 comprises the company and its subsidiaries (together referred to as the 'consolidated entity' or 'the group') and the consolidated entity's interest in jointly controlled ventures.

The financial report was authorised by the directors for issue on 28 May, 2009.

**(a) Statement of compliance**

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, including the Accounting Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The consolidated financial statements and notes comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

**(b) Basis of preparation**

The financial report is presented in Australian dollars, which is the consolidated group's functional currency, rounded to the nearest dollar. It has been prepared under the historical cost convention as modified by the revaluation of the available for sale investments.

Comparative information is provided for the year ended 30 June 2007. This is the first financial year completed before the year ended 30 April 2009 commenced.

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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(c) Principles of consolidation (continued)**

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.

**(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 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 or, if not consumed or sold by the associate, 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.

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(e) Receivables**

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will not be able to collect all amounts due according to the original terms.

**(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and at call bank 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.

**(g) Payables**

Trade, accruals and other payables are recorded initially at fair value and subsequently at amortised cost. Trade and other payables are non-interest bearing and are normally settled on 60-day terms.

**(h) Investments and other financial assets**

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

*Held for Trading*

Investments held for trading are measured at fair value with gains or losses recognised in the income statement. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term or if it is a derivative that is not designated as a hedge. Investments held for trading are classified as current assets on the balance sheet.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold-to-maturity and are measured at amortised cost subsequent to initial recognition using the effective interest method. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category is then reclassified as available-for-sale.

*Available-for-sale financial assets*

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets (unless management intends to dispose of the investment within 12 months of reporting date). After initial recognition, these investments are measured at fair value with gains or losses recognised as a separate component of equity (asset revaluation reserve). Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to equity, is recognised in the income statement. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available for sale reserve. On sale the amount held in available for sale reserves associated with that asset is removed from equity and recognised in the income statement.

**(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, net of any income tax benefit.

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(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 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.

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 other wise 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 13). 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.

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(m) Accounting estimates and judgements (continued)**

Per Note 1(j) and 1(l) management exercise judgement as to the recoverability of exploration expenditure. Any judgment may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off through the income statement.

Per Note 9 to the financial statements, management has exercised judgement as to when relevant future events may occur which will trigger payments required per the Geokinetics contract. There is, however, a risk that the actual amount to be paid could differ from estimates disclosed in the note.

**(n) Revenue**

Revenue is recognised at the fair value of consideration received or receivable. Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

**(o) Share-based payment transactions**

Share-based compensation benefits are provided to Upstream Consulting Pty Ltd ("Upstream") under the terms of a Services Agreement which were agreed by a Directors Resolution on 31 July 2007 and additional incentive arrangements agreed by a Directors Resolution on 17 March 2009. Information relating to the agreement and the additional arrangements is set out in Note 10 and Note 12.

*Equity settled transactions*

The fair value of options granted under the Upstream Agreement is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

*Cash settled transactions*

The Upstream Consulting Agreement also provides benefits to Upstream in the form of cash settled share-based payments, whereby service is rendered in exchange for cash, the amounts of which are determined by reference to the price of the phantom shares of Octanex issued to Upstream and movement in the share market price of Octanex.

The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to Upstream, which will be the fair value at settlement date.

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(o) Share-based payment transactions (continued)**

The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

- (i) at each reporting date between grant and settlement, the fair value of the phantom shares are determined;
- (ii) during the vesting period, the liability recognised at each reporting date is the fair value of the phantom shares at that date multiplied by the expired portion of the vesting period;
- (iii) from the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date; and
- (iv) all changes in the liability are recognised in profit or loss for the period.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying a Black-Scholes option pricing model, taking into account the terms and conditions on which the phantom shares were granted, and the extent to which Upstream has rendered service to date.

**(p) Business combinations**

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is their published market price as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(q) Fair value**

Fair values for financial instruments traded in active markets are based on quoted market prices at balance sheet date. The quoted market price for financial assets is the current bid price and the quoted market price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at balance date. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments

In all cases the consolidated entity intends to apply these standards from application date as indicated in the table below.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Accounting standards issued not yet effective

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 April 2009. They have not been adopted in preparing the financial report for the year ended 30 April 2009 and are expected to impact the consolidated entity in the period of initial application.

| AASB reference                  | Title and Affected Standard(s):  | Nature of Change  | Application date:                          | Impact on Initial Application   |
|---------------------------------|--|---|--|---|
| AASB 127 (reissued March 2008)  | Consolidated and Separate Financial Statements   | The revised standard clarifies that changes in ownership interest which result in control being retained are accounted for within equity as transactions with owners. Losses will be attributed to the non-controlling interest even if this results in a debit balance for the non-controlling interest. Investments retained where there has been a loss of control will be recognised at fair value at date of sale. | Periods commencing on or after 1 July 2009 | As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.<br><br>To the extent Octanex Operations Pty Ltd incurs losses for the financial year ending 30 June 2010 / 31 December 2010, such losses will be attributed to the non-controlling interest. |
| AASB 2008-3 (issued March 2008) | Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, AASB 2, AASB 4, AASB 5, AASB 7, AASB 101, AASB 107, AASB 112, AASB 114, AASB 116, AASB 121, AASB 128, AASB 131, AASB 132, AASB 133, AASB 134, AASB 136, AASB 137, AASB 138, AASB 139, Interpretation 9 and Interpretation 107] | Makes consequential amendments to 20 standards and 2 interpretations arising from the reissue of AASB 3 and AASB 127, including to AASB 128: Investments in Associates and to AASB 131: Interests in Joint Ventures.  | Periods commencing on or after 1 July 2009 | As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.<br><br>There will also be a number of additional/amended disclosures.  |



# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2009

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Accounting standards issued not yet effective (continued)

| AASB reference                                   | Title and Affected Standard(s):  | Nature of Change  | Application date:                             | Impact on Initial Application   |
|--|--|---|---|---|
| AASB 2008-5<br>(issued July 2008)<br>AASB 2008-6 | Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 and 1038] | Accounting changes for presentation, recognition and measurement, as well as terminology and editorial changes. | Periods commencing on or after 1 January 2009 | <p>Only changes to AASB 101, AASB 128 and AASB 136 are likely to impact this entity.</p> <p>AASB 101<br/>Initial adoption of this amendment will have no impact on the entity as the entity does not enter into any long term derivative relationships.</p> <p>AASB 128<br/>There will be no financial impact when these amendments are first adopted because these amendments relate to additional disclosure requirements only.</p> <p>AASB 136<br/>There will be no financial impact when these amendments are first adopted because these amendments relate to additional disclosure requirements only.</p> |

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2009

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Accounting standards issued not yet effective (continued)

| AASB reference  | Title and Affected Standard(s):  | Nature of Change  | Application date:                             | Impact on Initial Application   |
|---|--|---|---|---|
| AASB 2008-7 (issued July 2008)                              | Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate<br>[AASB 1, AASB 118, AASB 121, AASB 127 and AASB 136] | Removal of the definition of the “cost method” in AASB 127, meaning that pre and post-acquisition dividends no longer need to be differentiated and all dividends are to be recognised as revenue. However, whenever a dividend is received from a subsidiary, associate or jointly controlled entity, an impairment test will be required under AASB 136 where there is an indicator for impairment, i.e. where: (1) the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the net assets (including goodwill) of the investee in the consolidated financial statements; or (2) the dividend exceeds the total comprehensive income of the subsidiary, associate or jointly controlled entity in the period that the dividend is declared. | Periods commencing on or after 1 January 2009 | There will be no impact as these requirements are only required to be applied prospectively for periods commencing on or after 1 January 2009. However, any pre-acquisition dividends received after this date may result in additional impairment charges on investments in subsidiaries, associates and jointly controlled entities. This is because such amounts would previously have been written off directly against the cost of the investment, whereas in future they will be recognised as revenue which may result in the investment being stated at an amount exceeding recoverable amount. |
| AASB 101 (Revised Sept 2007)<br>AASB 2007-8<br>AASB 2007-10 | Presentation of Financial Statements   | Amendments to presentation and naming of the financial statements.  | Periods commencing on or after 1 January 2009 | As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.   |

## NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2009

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (r) Accounting standards issued not yet effective (continued)

| AASB reference               | Title and Affected Standard(s): | Nature of Change   | Application date:   | Impact on Initial Application  |
|------------------------------|---------------------------------|--|---|--|
| AASB 3 (reissued March 2008) | Business Combinations           | Released as part of long term international convergence project between IASB and FASB. The revised standard introduces more detailed guidance on accounting for step acquisitions, adjustments to contingent consideration, assets acquired that the purchaser does not intend to use, reacquired rights and share-based payments as part of purchase consideration. Also, all acquisition costs will have to be expensed instead of being recognised as part of goodwill. | Business combinations where the acquisition date is on or after the beginning of the first reporting period that commences 1 July 2009 or later | <p>As there is no requirement to retrospectively restate comparative amounts for business combinations undertaken before this date, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.</p> <p>However, due to the nature of some of the changes in the revised standard, business combinations that the entity undertakes after this date may in future impact negatively on the results of the entity. For example, acquisition costs will have to be expensed instead of being recognised as part of goodwill.</p> <p>Specific changes in respect of step acquisitions and sell downs may introduce situations whereby adopting the revised standard may improve profitability.</p> <p>Also, deferred tax assets that do not satisfy recognition criteria when a business combination is initially accounted for, but do subsequently qualify for recognition post acquisition date, will be recognised as a credit to the income statement and there will be no consequential write-down of goodwill for a similar amount, provided that the deferred tax assets are recognised outside the initial measurement period of 12 months from acquisition date.</p> |

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(r) Accounting standards issued not yet effective (continued)**

| <b>AASB reference</b>              | <b>Title and Affected Standard(s):</b>  | <b>Nature of Change</b>  | <b>Application date:</b>                      | <b>Impact on Initial Application</b>  |
|------------------------------------|---|--|---|---|
| AASB 2009-2<br>(Issued April 2009) | Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments | Requires additional disclosures about financial instrument fair values and liquidity risk.   | Periods commencing on or after 1 January 2009 | As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about fair values of financial instruments and the entity's liquidity risk. No comparative disclosures are required in the first year that these amendments are applied. |
| IAS 1                              | Presentation of Financial Statements  | Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities. | Periods commencing on or after 1 January 2010 | Initial adoption of this amendment will have no impact as the entity does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.  |
| IAS 7                              | Cash Flow Statements  | Clarifies that only expenditures that result in a recognised asset in the balance sheet are eligible for classification as cash flows from investing activities.   | Periods commencing on or after 1 January 2010 | Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the balance sheet.  |

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2009

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Accounting standards issued not yet effective (continued)

| AASB reference | Title and Affected Standard(s): | Nature of Change  | Application date:                             | Impact on Initial Application  |
|----------------|---------------------------------|---|---|--|
| IAS36          | Impairment of Assets            | Clarifies that CGUs to which goodwill is allocated cannot be larger than an operating segment as defined in IFRS 8 Operating Segments before aggregation. | Periods commencing on or after 1 January 2010 | There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations for periods commencing on or after 1 January 2010. |

|  |      | Consolidated      |                  | The Company       |                  |
|--|------|-------------------|------------------|-------------------|------------------|
|  |      | 30 April          | 30 June          | 30 April          | 30 June          |
|  | NOTE | 2009              | 2007             | 2009              | 2007             |
| <b>NOTE 2 INCOME</b>                             |      |                   |                  |                   |                  |
| Interest received on cash balances               |      | 1,376,472         | 109,728          | 1,329,113         | 109,728          |
| Sundry income                                    |      | 2,475             | -                | 2,475             | -                |
| Profit on sale of exploration tenement           |      | 16,102,031        | -                | 16,102,031        | -                |
| Profit on sale of available for sale investments |      | -                 | 1,089,397        | -                 | 1,089,397        |
| Total income                                     |      | <u>17,480,978</u> | <u>1,199,125</u> | <u>17,433,619</u> | <u>1,199,125</u> |

## NOTE 3 EXPENSES

|   |    |                  |                |                  |                |
|---|----|------------------|----------------|------------------|----------------|
| Administration                                    |    | 355,324          | 38,275         | 341,657          | 38,275         |
| Audit fees  | 19 | 94,907           | 32,750         | 84,407           | 32,750         |
| Brokerage   |    | 39,111           | -              | 38,295           | -              |
| Consulting  |    | 117,346          | -              | 113,905          | -              |
| Directors' remuneration                           |    | 69,033           | 60,837         | 69,033           | 60,837         |
| Exploration                                       |    | 24,938           | 19,895         | 24,188           | 19,895         |
| Legal Fees  |    | 31,000           | -              | 31,000           | -              |
| Reporting, registry and stock exchange            |    | 57,278           | 30,114         | 55,943           | 30,114         |
| Relocation costs                                  |    | 18,750           | -              | 18,750           | -              |
| Office expenses                                   |    | 43,544           | 53,642         | 43,544           | 53,642         |
| Other expenses                                    |    | 47,234           | 14,368         | 46,966           | 14,368         |
| Foreign exchange losses                           |    | 976,353          | 12,472         | 1,145,955        | 12,472         |
| Share based payments: fair value of               |    |                  |                |                  |                |
| - phantom shares                                  | 10 | 213,951          | -              | 213,951          | -              |
| - options at grant date                           | 12 | 99,281           | -              | 99,281           | -              |
| Write-back of provision for retirement benefit    |    | -                | (18,166)       | -                | (18,166)       |
| Impairment loss on available for sale investments |    | 4,119,918        | -              | 4,139,918        | -              |
| Total expenses                                    |    | <u>6,307,968</u> | <u>244,187</u> | <u>6,466,793</u> | <u>244,187</u> |

**NOTES TO THE FINANCIAL STATEMENTS**
**30 APRIL 2009**

|  | <b>Consolidated</b> |                | <b>The Company</b> |                |
|--|---------------------|----------------|--------------------|----------------|
|  | <b>30 April</b>     | <b>30 June</b> | <b>30 April</b>    | <b>30 June</b> |
|  | <b>2009</b>         | <b>2007</b>    | <b>2009</b>        | <b>2007</b>    |
|  | <b>\$</b>           | <b>\$</b>      | <b>\$</b>          | <b>\$</b>      |

**NOTE 4 INCOME TAX**
**Components of income tax expense**
*Current tax expense*

|                             |             |          |             |          |
|-----------------------------|-------------|----------|-------------|----------|
| Current period              | (3,091,920) | (33,217) | (3,091,920) | (33,217) |
| Adjustment for prior period | 2           | -        | 2           | -        |

*Deferred tax expense*

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Origination and reversal of temporary differences | (431,430) | (236,453) | (406,251) | (236,453) |
|---|-----------|-----------|-----------|-----------|

|       |                    |                  |                    |                  |
|-------|--------------------|------------------|--------------------|------------------|
| Total | <u>(3,523,348)</u> | <u>(269,670)</u> | <u>(3,498,169)</u> | <u>(269,670)</u> |
|-------|--------------------|------------------|--------------------|------------------|

**Reconciliation between tax expense and pre-tax profit**

|                   |                   |                |                   |                |
|-------------------|-------------------|----------------|-------------------|----------------|
| Profit before tax | <u>11,173,010</u> | <u>954,938</u> | <u>10,966,826</u> | <u>954,938</u> |
|-------------------|-------------------|----------------|-------------------|----------------|

|   |             |           |             |           |
|---|-------------|-----------|-------------|-----------|
| Income tax using statutory income tax rate of 30% | (3,351,903) | (286,481) | (3,290,048) | (286,481) |
|---|-------------|-----------|-------------|-----------|

Tax effect of adjustment recognised in the period for:

|                                      |           |        |           |        |
|--------------------------------------|-----------|--------|-----------|--------|
| Prospectus costs                     | 13,304    | 14,758 | 12,487    | 14,758 |
| Other deductible expenses for tax    | 73,747    | -      | 36,874    | -      |
| Current tax of prior periods         | 2         | 2,053  | 2         | 2,053  |
| Non deductible foreign exchange loss | (190,736) | -      | (190,736) | -      |
| Other non-deductible expenses        | (67,762)  | -      | (66,748)  | -      |

|                    |                    |                  |                    |                  |
|--------------------|--------------------|------------------|--------------------|------------------|
| Income tax expense | <u>(3,523,348)</u> | <u>(269,670)</u> | <u>(3,498,169)</u> | <u>(269,670)</u> |
|--------------------|--------------------|------------------|--------------------|------------------|

**NOTE 5 CASH AND CASH EQUIVALENTS**

|                          |                   |                  |                   |                  |
|--------------------------|-------------------|------------------|-------------------|------------------|
| Cash at bank and on hand | 394,353           | 1,242,428        | 326,780           | 1,242,427        |
| Bank deposits at call    | 30,662,220        | 1,439,474        | 13,959,220        | 1,439,474        |
|                          | <u>31,056,573</u> | <u>2,681,902</u> | <u>14,286,000</u> | <u>2,681,901</u> |

Cash and cash equivalents are subject to interest rate risk as they earn floating rates. In the year to 30 April 2009 the average floating rate for the consolidated entity and the company was 3.1% (2007: 1.84%) and 3.0% (2007: 1.84%) respectively. Details of interest rate risk and sensitivity can be found in Note 17. Bank deposits at call have an average maturity for the consolidated entity of 29 days (2007: 47 days) and for the company of 27 days (2007: 47 days).

**NOTES TO THE FINANCIAL STATEMENTS**
**30 APRIL 2009**

|   |      | Consolidated     |                 | The Company      |                 |
|---|------|------------------|-----------------|------------------|-----------------|
|   | NOTE | 30 April<br>2009 | 30 June<br>2007 | 30 April<br>2009 | 30 June<br>2007 |
| <b>NOTE 6 TRADE AND OTHER RECEIVABLES</b> |      |                  |                 |                  |                 |
| Director-related entity                   | 16   | -                | 23,930          | -                | 23,930          |
| Other                                     |      | 109,560          | 22,681          | 67,363           | 22,681          |
|   |      | <u>109,560</u>   | <u>46,611</u>   | <u>67,363</u>    | <u>46,611</u>   |

The carrying amount of all receivables is equal to their fair value as they are short term. None of the receivables are impaired or past due. The maximum credit risk for the company is the gross value of all receivables. All receivables are non-interest bearing.

**NOTE 7 OTHER FINANCIAL ASSETS (NON-CURRENT)**

|   |      |                  |                  |                   |                  |
|---|------|------------------|------------------|-------------------|------------------|
| Available for sale investments at fair value                                |      |                  |                  |                   |                  |
| Investment in director-related listed equities                              | 7(a) | 4,519,166        | 9,747,188        | 3,086,400         | 7,849,964        |
| Investment in other listed equities   |      | 2,449,389        | 12,000           | 2,077,388         | 12,000           |
|   | 7(b) | <u>6,968,555</u> | <u>9,759,188</u> | <u>5,163,788</u>  | <u>7,861,964</u> |
| At cost:  |      |                  |                  |                   |                  |
| Investment in controlled entity   | 7(c) | -                | -                | 558,007           | 558,007          |
| Shares in controlled entities   | 7(d) | -                | -                | 42,652,190        | 1                |
| Shares in associate   | 7(e) | -                | 1                | -                 | 1                |
|   |      | <u>6,968,555</u> | <u>9,759,189</u> | <u>48,373,985</u> | <u>8,419,973</u> |
| (a) Director-related Entities:  |      |                  |                  |                   |                  |
| <i>Cue Energy Resources Ltd</i>   |      |                  |                  |                   |                  |
| Principal activity is oil and gas exploration and production.               |      |                  |                  |                   |                  |
|   |      | 4,365,617        | 6,184,624        | 3,026,400         | 4,287,400        |
| <i>MEO Australia Limited</i>  |      |                  |                  |                   |                  |
| Principal activity is development of the Tassie Shoal Methanol Project      |      |                  |                  |                   |                  |
|   |      | -                | 3,562,564        | -                 | 3,562,564        |
| <i>Moby Oil &amp; Gas Limited</i>   |      |                  |                  |                   |                  |
| Principal activity is oil and gas exploration                               |      |                  |                  |                   |                  |
|   |      | 33,549           | -                | -                 | -                |
| <i>Bass Strait Oil Co Ltd</i>   |      |                  |                  |                   |                  |
| Principal activity is oil and gas exploration                               |      |                  |                  |                   |                  |
|   |      | 120,000          | -                | 60,000            | -                |
|   |      | <u>4,519,166</u> | <u>9,747,188</u> | <u>3,086,400</u>  | <u>7,849,964</u> |
| (b) Reconciliation of the carrying amount of Available for sale investments |      |                  |                  |                   |                  |
| Balance at beginning of year  |      | 7,956,380        | 7,509,435        | 5,556,950         | 5,444,810        |
| Net revaluation (decrement) increment                                       |      | (7,570,575)      | 2,704,753        | (6,766,363)       | 2,872,154        |
| Acquisitions during the year  |      | 6,509,201        | 5,000            | 6,373,201         | 5,000            |
| Disposals during the year   |      | -                | (460,000)        | -                 | (460,000)        |
| Acquisitions from controlled entity (Note 18)*                              |      | 73,549           | -                | -                 | -                |
|   |      | <u>6,968,555</u> | <u>9,759,188</u> | <u>5,163,788</u>  | <u>7,861,964</u> |

\* Strata Resources NL holds 705,000 shares and 705,000 options over shares in its parent Octanex NL. The fair value of this investment at the acquisition date of 20 March 2009 was \$211,500 and this investment has been eliminated from the consolidated entity as at 30 April 2009.

# NOTES TO THE FINANCIAL STATEMENTS

**30 APRIL 2009**

## NOTE 7 OTHER FINANCIAL ASSETS (NON-CURRENT) (Continued)

Details of market price risk and sensitivity can be found in Note 17.

### (c) Investment in Controlled Entity

Octanex 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 Pty Ltd will settle its debt to Octanex 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 30 April 2009 was \$1,339,217 (2007: \$1,897,224).

### (d) Shares in Controlled Entities

|                                     |             | <b>Consolidated</b> |                | <b>The Company</b> |                |
|-------------------------------------|-------------|---------------------|----------------|--------------------|----------------|
|                                     |             | <b>30 April</b>     | <b>30 June</b> | <b>30 April</b>    | <b>30 June</b> |
|                                     | <b>NOTE</b> | <b>2009</b>         | <b>2007</b>    | <b>2009</b>        | <b>2007</b>    |
| <i>Octanex Operations Pty Ltd</i>   |             | -                   | -              | 1                  | 1              |
| <i>United Oil &amp; Gas Pty Ltd</i> | 7(e)        | -                   | -              | 1                  | -              |
| <i>Strata Resources NL</i>          | 18          | -                   | -              | 27,670,562         | -              |
| <i>Exmouth Exploration Pty Ltd</i>  | 18          | -                   | -              | 14,981,626         | -              |
|                                     |             | <u>-</u>            | <u>-</u>       | <u>42,652,190</u>  | <u>1</u>       |
|                                     |             | =====               | =====          | =====              | =====          |

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.

Strata Resources NL was acquired 20 March 2009 (Note 18). It is 100% owned, incorporated in Australia and balancing at 30 June and explores and invests in the petroleum exploration sector. The controlled entity contributed \$184,381 to the consolidated net profit for the year.

Exmouth Exploration Pty Ltd was acquired 20 March 2009 (Note 18). It is 100% owned, incorporated in Australia and balancing at 30 June and explores in the petroleum exploration sector. The controlled entity contributed a loss of \$3,375 to the consolidated net profit for the year.

United Oil & Gas Pty Ltd, a company incorporated in Australia and 100% owned, has a 30% legal interest in the Western Otway Joint Venture (Note 14) and did not contribute to the consolidated profit for the year. On the 27<sup>th</sup> June 2008 beneficial ownership in the Western Otway Joint Venture was transferred by United to Octanex and Strata: each taking a 15% direct interest. This interest was the entity's only activity. Commitments for the entity will be met by Octanex and Strata and are included in Note 13.

The consolidated entity did not consolidate United Oil & Gas Pty Ltd on the grounds that balances were not considered material. Summary financial information is listed below:

|      | <b>Current assets</b> | <b>Non-Current assets</b> | <b>Total assets</b> | <b>Current Liabilities</b> | <b>Non-Current Liabilities</b> | <b>Total Liabilities</b> | <b>Revenue</b> | <b>Expenses</b> | <b>Profit (Loss)</b> |
|------|-----------------------|---------------------------|---------------------|----------------------------|--------------------------------|--------------------------|----------------|-----------------|----------------------|
|      | <b>\$</b>             | <b>\$</b>                 | <b>\$</b>           | <b>\$</b>                  | <b>\$</b>                      | <b>\$</b>                | <b>\$</b>      | <b>\$</b>       | <b>\$</b>            |
| 2009 | 815                   | -                         | 815                 | -                          | -                              | -                        | 1,206          | 135             | 1,071                |
| 2007 | 344                   | 37,542                    | 37,886              | 360                        | 42,632                         | 42,992                   | -              | 2,639           | (2,639)              |



**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 7 OTHER FINANCIAL ASSETS (NON-CURRENT) (Continued)****(e) Shares in associate**

At 30 June 2007 United Oil & Gas Pty Ltd, was 50% owned by Octanex. The consolidated entity did not equity account this investee on the grounds that balances were not considered material, Summary financial information is listed above in Note 7(d).

|  |             | <b>Consolidated</b>      |                         | <b>The Company</b>       |                         |
|--|-------------|--------------------------|-------------------------|--------------------------|-------------------------|
|  | <b>NOTE</b> | <b>30 April<br/>2009</b> | <b>30 June<br/>2007</b> | <b>30 April<br/>2009</b> | <b>30 June<br/>2007</b> |

**NOTE 8 EXPLORATION AND EVALUATION ASSETS**

|                                      |    |                   |                  |                  |                  |
|--------------------------------------|----|-------------------|------------------|------------------|------------------|
| Carrying amount at beginning of year |    | 1,160,954         | 952,639          | 1,160,954        | 952,639          |
| Acquisition of controlled entities   | 18 | 40,887,708        | -                | -                | -                |
| Cost incurred during the year        |    | 4,869,848         | 136,430          | 4,767,406        | 136,430          |
| Carrying amount at end of year       |    | <u>46,918,510</u> | <u>1,089,069</u> | <u>5,928,360</u> | <u>1,089,069</u> |

Exploration and evaluation assets relate to the areas of interest in the exploration phase for petroleum exploration permits WA-323-P, WA-330-P, WA-362-P, WA-363-P, WA-386-P, WA-387-P, WA-322-P, WA-329-P and EPP34. The permits are held through joint ventures and details of interests held in the permits can be found in Note 14.

Ultimate recovery of exploration and evaluation assets is dependent upon exploration success and/or the company maintaining appropriate funding to support continued exploration activities.

**NOTE 9 TRADE AND OTHER PAYABLES**

Financial liabilities at amortised cost

*Current*

|  |    |                |                |                |                |
|--|----|----------------|----------------|----------------|----------------|
| Trade creditors and accruals           |    | 154,692        | 64,302         | 122,212        | 64,302         |
| Director-related entity other payables | 16 | 151,128        | 74,324         | 80,565         | 74,324         |
|  |    | <u>305,820</u> | <u>138,626</u> | <u>202,777</u> | <u>138,626</u> |

Trade and other payables are current liabilities of which the fair value is equal to the current carrying amount. Information about the company's exposure to foreign exchange risk in relation to trade payables, including sensitivities to changes in foreign exchange rates, is provided in Note 17.

*Non-Current*

|               |  |                  |          |                  |          |
|---------------|--|------------------|----------|------------------|----------|
| Other payable |  | <u>6,173,238</u> | <u>-</u> | <u>3,086,619</u> | <u>-</u> |
|---------------|--|------------------|----------|------------------|----------|

The consolidated entity and 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 \$10,617,617 for the consolidated entity and \$5,308,808 for the company. After adjustments for the discounting of the cash flows arising on the payable the liability is reduced to \$6,173,328 for the consolidated entity and \$3,086,619 for the company. Payment of this liability is assumed to occur in two parts: 64% payable in June 2010 and the balance payable in June 2020 per the terms of the contract. The payable has been discounted using a pre-tax rate of 19%. Details of liquidity risk are found in Note 17.

## NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2009

|  | Consolidated     |                 | The Company      |                 |
|--|------------------|-----------------|------------------|-----------------|
|  | 30 April<br>2009 | 30 June<br>2007 | 30 April<br>2009 | 30 June<br>2007 |

### NOTE 10 PROVISION FOR SHARE BASED PAYMENTS

|                |         |   |         |   |
|----------------|---------|---|---------|---|
| Phantom Shares | 257,538 | - | 257,538 | - |
|----------------|---------|---|---------|---|

Under the terms of the Consultancy Services Agreement with Upstream Consulting Pty Ltd ("Upstream"), which were agreed by a directors resolution signed on 31 July 2007, the following phantom shares were granted whereby the net difference between the value of Octanex shares at exercise date and the initial price shall be paid to Upstream in cash.

| Tranche    | Initial Price | Exercise Date |
|------------|---------------|---------------|
| 1. 750,000 | \$0.30        | 30 June 2009  |
| 2. 750,000 | \$0.40        | 30 June 2010  |
| 3. 750,000 | \$0.40        | 30 June 2011  |
| 4. 750,000 | \$0.40        | 30 June 2012  |
| 5. 750,000 | \$0.40        | 30 June 2013  |

From the merger of Octanex and Strata on the 17 March 2009, the incentive arrangements Upstream previously held with Strata were cancelled and replaced by a new set of incentives with Octanex. These arrangements were in addition to that described above and in Note 13 for Options over shares. The following additional phantom Octanex shares were granted whereby the net difference between the value of Octanex shares at exercise date and the initial price shall be paid to Upstream in cash.

| Tranche    | Initial Price | Exercise Date |
|------------|---------------|---------------|
| 1. 500,000 | \$0.1818      | 30 June 2009  |
| 2. 500,000 | \$0.2424      | 30 June 2010  |
| 3. 825,000 | \$0.4700      | 30 June 2011  |
| 4. 825,000 | \$0.4700      | 30 June 2012  |
| 5. 825,000 | \$0.4700      | 30 June 2013  |

|                              | 30 April<br>2009<br>Phantom<br>Shares | 30 June<br>2007<br>Phantom<br>Shares |
|------------------------------|---------------------------------------|--------------------------------------|
| <b>Phantom Shares</b>        |                                       |                                      |
| Balance at beginning of year | 3,750,000                             | -                                    |
| Shares granted 17 March 2009 | 3,475,000                             | -                                    |
| Balance at end of year       | 7,225,000                             | -                                    |

(i) The first set of phantom shares were valued using the Black-Scholes-Merton model with the following inputs:

|                            |                                     |
|----------------------------|-------------------------------------|
| Effective Share price:     | 36 cents                            |
| Share price at grant date: | 22 cents                            |
| Maximum share life         | 5 years                             |
| Expected volatility        | 72%                                 |
| Risk free interest rate    | 3.3% - average across five tranches |

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2009

## NOTE 10 PROVISION FOR SHARE BASED PAYMENTS (Continued)

### Phantom shares (continued)

Expected volatility was based on the standard deviation for a group of 35 similar companies of 20.52, which represents a volatility factor of 71.07% - say 72%. The fair value of this share based payment at balance date was \$522,454. Based on the expired portion of the vesting period at balance date from this fair value a share based payment expense of \$174,649 and liability of \$218,318 has been recognised in the year ended 30 April 2009.

(ii) The second set of phantom shares were valued using the Black-Scholes-Merton model with the following inputs:

|                            |                                     |
|----------------------------|-------------------------------------|
| Effective Share price:     | 37 cents                            |
| Share price at grant date: | 28 cents                            |
| Maximum share life         | 5 years                             |
| Expected volatility        | 72%                                 |
| Risk free interest rate    | 3.3% - average across five tranches |

Expected volatility was based on the standard deviation for a group of 35 similar companies of 20.52, which represents a volatility factor of 71.07% - say 72%. The fair value of this share based payment at balance date was \$562,248. Based on the expired portion of the vesting period at balance date from this fair value a share based payment expense and liability of \$39,302 has been recognised in the year ended 30 April 2009

## NOTE 11 DEFERRED TAX LIABILITIES

|                                  | Deferred Tax<br>Assets |                 | Deferred Tax<br>Liabilities |                  | Net Deferred<br>Tax |                  |
|----------------------------------|------------------------|-----------------|-----------------------------|------------------|---------------------|------------------|
|                                  | 30 April<br>2009       | 30 June<br>2007 | 30 April<br>2009            | 30 June<br>2007  | 30 April<br>2009    | 30 June<br>2007  |
|                                  | \$                     | \$              | \$                          | \$               | \$                  | \$               |
| <b>Consolidated</b>              |                        |                 |                             |                  |                     |                  |
| Investment revaluations          | (630,528)              | -               | -                           | 2,369,863        | (630,528)           | 2,369,863        |
| Exploration costs                | -                      | -               | 14,755,625                  | 326,721          | 14,755,625          | 326,721          |
| Interest receivable              | -                      | -               | 11,291                      | 3,274            | 11,291              | 3,274            |
| Accrued expenses                 | (12,450)               | (5,100)         | -                           | -                | (12,450)            | (5,100)          |
| Unrealised foreign exchange loss | (194,626)              | -               | -                           | -                | (194,626)           | -                |
| Mining deduction                 | (144,169)              | -               | -                           | -                | (144,169)           | -                |
| Provisions                       | (77,261)               | -               | -                           | -                | (77,261)            | -                |
| Carried forward tax losses       | (61,750)               | -               | -                           | -                | (61,750)            | -                |
|                                  | <u>(1,120,784)</u>     | <u>(5,100)</u>  | <u>14,766,916</u>           | <u>2,699,858</u> | <u>13,646,132</u>   | <u>2,694,758</u> |
| Recognised in retained earnings  | (1,789,231)            | (5,100)         | 14,766,916                  | 329,995          | 12,977,685          | 324,895          |
| Recognised directly in equity    | 668,447                | -               | -                           | 2,369,863        | 668,447             | 2,369,863        |
|                                  | <u>(1,120,784)</u>     | <u>(5,100)</u>  | <u>14,766,916</u>           | <u>2,699,858</u> | <u>13,646,132</u>   | <u>2,694,758</u> |

**NOTES TO THE FINANCIAL STATEMENTS**
**30 APRIL 2009**
**NOTE 11 DEFERRED TAX LIABILITIES (Continued)**

|                                 | Deferred Tax Assets |                | Deferred Tax Liabilities |                  | Net Deferred Tax |                  |
|---------------------------------|---------------------|----------------|--------------------------|------------------|------------------|------------------|
|                                 | 30 April 2009       | 30 June 2007   | 30 April 2009            | 30 June 2007     | 30 April 2009    | 30 June 2007     |
|                                 | \$                  | \$             | \$                       | \$               | \$               | \$               |
| <b>Company</b>                  |                     |                |                          |                  |                  |                  |
| Investment revaluations         | (826,078)           | -              | -                        | 1,968,099        | (826,078)        | 1,968,099        |
| Exploration costs               | -                   | -              | 2,119,011                | 326,721          | 2,119,011        | 326,721          |
| Interest receivable             | -                   | -              | 7,887                    | 3,274            | 7,887            | 3,274            |
| Accrued expenses                | (10,200)            | (5,100)        | -                        | -                | (10,200)         | (5,100)          |
| Provisions                      | (77,261)            | -              | -                        | -                | (77,261)         | -                |
| Carried forward tax losses      | (47,706)            | -              | -                        | -                | (47,706)         | -                |
|                                 | <u>(961,245)</u>    | <u>(5,100)</u> | <u>2,126,898</u>         | <u>2,298,094</u> | <u>1,165,653</u> | <u>2,292,994</u> |
| Recognised in retained earnings | (1,377,143)         | (5,100)        | 2,126,898                | 329,995          | 749,755          | 324,895          |
| Recognised directly in equity   | 415,898             | -              | -                        | 1,968,099        | 415,898          | 1,968,099        |
|                                 | <u>(961,245)</u>    | <u>(5,100)</u> | <u>2,126,898</u>         | <u>2,298,094</u> | <u>1,165,653</u> | <u>2,292,994</u> |

**NOTE 12 CONTRIBUTED EQUITY**

|   | Consolidated       |                   | The Company       |                  |
|---|--------------------|-------------------|-------------------|------------------|
|   | 30 April 2009      | 30 June 2007      | 30 April 2009     | 30 June 2007     |
|   | Shares             | Shares            | \$                | \$               |
| <b>Issued Capital</b>                                   |                    |                   |                   |                  |
| Ordinary shares fully paid                              | 138,360,494        | 49,653,967        | 46,803,406        | 3,956,700        |
| Ordinary shares issued pursuant to trustee stock scheme | 33,000,000         | -                 | -                 | -                |
| Balance at end of year                                  | <u>171,360,494</u> | <u>49,653,967</u> | <u>46,803,406</u> | <u>3,956,700</u> |
| <b>Ordinary Shares Fully Paid</b>                       |                    |                   |                   |                  |
| Movements during the year                               |                    |                   |                   |                  |
| Balance at beginning of year                            | 49,653,967         | 49,653,967        | 3,956,700         | 3,956,700        |
| Options issued to correct trading error                 | -                  | -                 | 1,800             | -                |
| Shares issued   |                    |                   |                   |                  |
| - Options dated 30 June 2008 exercised                  | 902,870            | -                 | 263,218           | -                |
| - Issued to acquired subsidiaries (i)                   | 87,803,657         | -                 | 42,581,688        | -                |
| Balance at end of year                                  | <u>138,360,494</u> | <u>49,653,967</u> | <u>46,803,406</u> | <u>3,956,700</u> |

(i) Acquisition of Strata Resources NL and Exmouth Exploration Pty Ltd (Note 18). Strata Resources NL holds 705,000 ordinary shares in its parent company, Octanex NL, at a cost of \$70,500, which is eliminated out of the consolidated entity.

# NOTES TO THE FINANCIAL STATEMENTS

**30 APRIL 2009**

## NOTE 12 CONTRIBUTED EQUITY (Continued)

|   | <b>Consolidated</b> |                | <b>The Company</b> |                |
|---|---------------------|----------------|--------------------|----------------|
|   | <b>30 April</b>     | <b>30 June</b> | <b>30 April</b>    | <b>30 June</b> |
|   | <b>2009</b>         | <b>2007</b>    | <b>2009</b>        | <b>2007</b>    |
|   | <b>Shares</b>       | <b>Shares</b>  | <b>\$</b>          | <b>\$</b>      |
| Ordinary Shares Issued Pursuant to Trustee Stock Scheme |                     |                |                    |                |
| Movements during the period                             |                     |                |                    |                |
| Balance at beginning of period                          | -                   | -              | -                  | -              |
| Shares issued   |                     |                |                    |                |
| - Issued to acquired subsidiaries (ii)                  | 33,000,000          | -              | -                  | -              |
|   | <u>33,000,000</u>   | <u>-</u>       | <u>-</u>           | <u>-</u>       |
| Balance at end of year                                  | <u>33,000,000</u>   | <u>-</u>       | <u>-</u>           | <u>-</u>       |

(ii) Acquisition of Strata Resources NL (Note 18)

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) Trustee Stock Scheme

As a result of the business combination detailed in note 18, Octanex is now party to a Trustee Stock Scheme, pursuant to which ordinary shares ranking equally with other ordinary shares on issue were issued to a trustee. When those shares are sold by the trustee the net proceeds are paid to the Company by way of subscription moneys. At balance date all shares issued to the trustee remained unsold. The trustee does not exercise voting rights in respect of shares held pursuant to the scheme.

### (iii) Options over Unissued Shares

The company has granted options over unissued Octanex shares. 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.

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

### 30 June 2009 Listed Options – exercisable at 25 cent

|                                 | <b>30 April</b>   | <b>30 June</b>    |
|---------------------------------|-------------------|-------------------|
|                                 | <b>2009</b>       | <b>2007</b>       |
|                                 | <b>Options</b>    | <b>Options</b>    |
| Balance at beginning of year    | 30,244,296        | 30,244,296        |
| Options expired 30 June 2008(i) | (1,236,716)       | -                 |
| Options exercised 30 June 2008  | (152,870)         | -                 |
| Options issued 10 July 2008     | 60,000            | -                 |
| Balance at end of year          | <u>28,914,710</u> | <u>30,244,296</u> |

(i) Options, the holders of which did not elect to extend the expiry date.

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 12 CONTRIBUTED EQUITY (Continued)****Unlisted Options - (Share Based Payment)**

Under the terms of the Consultancy Services Agreement with Upstream Consulting Pty Ltd ("Upstream"), which were agreed by a directors resolution signed on 31 July 2007, the following extant options over ordinary fully paid shares in Octanex were granted to Upstream.

| Tranche/options | Exercise Price | Exercisable<br>on or before |
|-----------------|----------------|-----------------------------|
| 1. 750,000      | \$0.40         | 30 June 2009                |
| 2. 750,000      | \$0.50         | 30 June 2010                |
| 3. 750,000      | \$0.60         | 30 June 2011                |
| 4. 750,000      | \$0.70         | 30 June 2012                |

From the merger of Octanex and Strata, on the 17 March 2009, the incentive arrangements Upstream previously held with Strata were cancelled and replaced by a new set of incentives with Octanex. These arrangements were in addition to that described above and in Note 10. The following additional options over ordinary fully paid shares in Octanex were granted to Upstream.

| Tranche/options | Exercise Price | Exercisable<br>on or before |
|-----------------|----------------|-----------------------------|
| 1. 500,000      | \$0.2424       | 30 June 2009                |
| 2. 500,000      | \$0.3030       | 30 June 2010                |
| 3. 500,000      | \$0.3636       | 30 June 2011                |
| 4. 500,000      | \$0.4242       | 30 June 2012                |

|                              | <b>30 April<br/>2009<br/>Options</b> | <b>30 June<br/>2007<br/>Options</b> |
|------------------------------|--------------------------------------|-------------------------------------|
| <b>Unlisted Options</b>      |                                      |                                     |
| Balance at beginning of year | 3,000,000                            | -                                   |
| Options granted              | 2,000,000                            | -                                   |
| Balance at end of year       | <u>5,000,000</u>                     | <u>-</u>                            |

The options granted on 31 July 2007 to Upstream were valued using the Black-Scholes-Merton model with the following inputs:

|                            |   |
|----------------------------|---|
| Exercise price:            | 50 cents – average across five tranches |
| Share price at grant date: | 22 cents                                |
| Maximum option life        | 5.7 years                               |
| Expected volatility        | 70%                                     |
| Risk free interest rate    | 6.3% - average across five tranches     |

Expected volatility was based on the standard deviation for a group of 35 similar companies of 20.52, which represents a volatility factor of 71.07% - say 70%. The fair value of this share based payment at grant date was \$187,192. Based on the expired portion of the vesting period at balance date from this fair value a share based payment expense with a corresponding increase in equity of \$70,955 has been recognised in the year ended 30 April 2009.

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 12 CONTRIBUTED EQUITY (Continued)****Unlisted Options - (Share Based Payment) - continued**

The options granted 17 March to Upstream were valued using the Black-Scholes-Merton model with the following inputs:

|                            |   |
|----------------------------|---|
| Exercise price:            | 33 cents – average across four tranches |
| Share price at grant date: | 28 cents                                |
| Maximum option life        | 3.2 years                               |
| Expected volatility        | 72%                                     |
| Risk free interest rate    | 3.1% - average across four tranches     |

Expected volatility was based on the standard deviation for a group of 35 similar companies of 20.52, which represents a volatility factor of 71.07% - say 72%. The fair value of this share based payment at grant date was \$287,077. Based on the expired portion of the vesting period at balance date from this fair value a share based payment expense with a corresponding increase in equity of \$28,326 has been recognised in the year ended 30 April 2009.

|  | <b>Consolidated</b> |                | <b>The Company</b> |                |
|--|---------------------|----------------|--------------------|----------------|
|  | <b>30 April</b>     | <b>30 June</b> | <b>30 April</b>    | <b>30 June</b> |
|  | <b>2009</b>         | <b>2007</b>    | <b>2009</b>        | <b>2007</b>    |

**NOTE 13 EXPLORATION EXPENDITURE COMMITMENTS**

The consolidated entity and 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                            | 200,000          | 2,122,500        | 100,000          | 2,122,500        |
| Payable later than one year but not later than three years | 6,194,000        | 1,925,000        | 3,097,000        | 1,925,000        |
|  | <u>6,394,000</u> | <u>4,047,500</u> | <u>3,197,000</u> | <u>4,047,500</u> |

**NOTE 14 INTEREST IN JOINT VENTURES**

The consolidated entity 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 its contributions to the joint ventures. Expenditure commitments in respect of the joint ventures are disclosed in Note 13. The consolidated entity's interests in the joint ventures:

| <b>Joint Venture</b> | <b>30 April</b> | <b>30 June</b>  |                               |
|----------------------|-----------------|-----------------|-------------------------------|
|                      | <b>2009</b>     | <b>2007</b>     |                               |
|                      | <b>Interest</b> | <b>Interest</b> | <b>Permits Held</b>           |
| Dampier Project      | 100%            | 50%             | WA-323-P & WA-330-P           |
| Northern Deeps       | 40%             | 35%             | WA-362-P & WA-363-P           |
| Exmouth              | 100%            | -               | WA-322-P, WA-329-P            |
| Southern Exmouth     | -               | 50%             | WA-384-P, WA-385-P & WA-394-P |
| Outer Exmouth        | 40%             | -               | WA-386-P and WA-387-P         |
| Western Otway        | 30%             | 15%             | EPP34                         |

## NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2009

## NOTE 14 INTEREST IN JOINT VENTURES (Continued)

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

|                                    |       | Consolidated     |                 | The Company      |                 |
|------------------------------------|-------|------------------|-----------------|------------------|-----------------|
|                                    | NOTE  | 30 April<br>2009 | 30 June<br>2007 | 30 April<br>2009 | 30 June<br>2007 |
|                                    |       | \$               | \$              | \$               | \$              |
| CURRENT ASSETS                     |       |                  |                 |                  |                 |
| Cash and cash equivalents          |       | 69,249           | 23,611          | 34,624           | 23,611          |
| Receivables                        | 6     | 25,742           | 3,657           | 12,404           | 3,657           |
| NON-CURRENT ASSETS                 |       |                  |                 |                  |                 |
| Exploration and evaluation assets  | 8     | 46,918,510       | 1,089,069       | 5,928,360        | 1,089,069       |
| CURRENT LIABILITIES                |       |                  |                 |                  |                 |
| Payables                           | 9     | 22,875           | 17,415          | 11,437           | 17,415          |
| Payables – director-related entity | 9, 16 | 51,678           | 42,484          | 25,839           | 42,484          |

There are no contingent liabilities in any of the joint ventures.

## NOTE 15 KEY MANAGEMENT PERSONNEL

## Non-executive Directors

PJ Albers

GA Menzies

## 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 who meet the definition of key management personnel other than the executive director of the company. A summary of the remuneration report is shown below.

| Year         | Short Term Employment Benefits |               |        | Post Employment |                       | Total   |
|--------------|--------------------------------|---------------|--------|-----------------|-----------------------|---------|
|              | Directors<br>Fees              | Other<br>Fees | Salary | Superannuation  | Retirement<br>Benefit |         |
|              | \$                             | \$            | \$     | \$              | \$                    | \$      |
| <b>TOTAL</b> |                                |               |        |                 |                       |         |
| 2009         | 4,583                          | 44,841        | -      | 54,084          | -                     | 103,508 |
| 2007         | 10,000                         | 17,237        | -      | 34,612          | -                     | 61,849  |

## 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, applicable to all shareholders.



**NOTES TO THE FINANCIAL STATEMENTS**
**30 APRIL 2009**
**NOTE 15 KEY MANAGEMENT PERSONNEL (Continued)**
**Interests in shares**

|             | Balance           | Received as<br>Remuneration | Options<br>Exercised | Net Change<br>Other(1) | Balance           |
|-------------|-------------------|-----------------------------|----------------------|------------------------|-------------------|
|             | <b>01/05/2008</b> |                             |                      |                        | <b>30/04/2009</b> |
| EG Albers * | 29,802,900        | -                           | -                    | 79,999,276             | 109,802,176       |
| PJ Albers*  | 27,476,941        | -                           | -                    | 45,964,086             | 73,441,027        |
| GA Menzies  | -                 | -                           | -                    | -                      | -                 |
|             | <b>01/07/2006</b> |                             |                      |                        | <b>30/06/2007</b> |
| EG Albers * | 28,052,905        | -                           | -                    | 1,591,960              | 29,644,865        |
| PJ Albers*  | 23,310,426        | -                           | -                    | -                      | 23,310,426        |
| AP Armtiage | 50,000            | -                           | -                    | (50,000)               | -                 |
| CR Hart     | 1,730,235         | -                           | -                    | (1,730,235)            | -                 |
| GA Menzies  | -                 | -                           | -                    | -                      | -                 |

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

|                                  |            |   |   |            |            |
|----------------------------------|------------|---|---|------------|------------|
| For the year ended 30 April 2009 | 25,764,441 | - | - | 44,614,086 | 70,378,527 |
| For the year ended 30 June 2007  | 22,797,926 | - | - | -          | 22,797,926 |

(1) 2009 change: issued as part of the acquisition of Strata Resources NL (Note 18)

**Interests in options (exercisable by 30 June 2009 at 25 cents per share)**

|            | Balance           | Received as<br>Remuneration | Options<br>Exercised | Net Change<br>Other | Balance           |
|------------|-------------------|-----------------------------|----------------------|---------------------|-------------------|
|            | <b>01/05/2008</b> |                             |                      |                     | <b>30/04/2009</b> |
| EG Albers* | 20,527,490        | -                           | -                    | (100,000)           | 20,427,490        |
| PJ Albers* | 18,850,970        | -                           | -                    | 781,520             | 19,632,490        |
| GA Menzies | 50,000            | -                           | -                    | -                   | 50,000            |
|            | <b>01/07/2006</b> |                             |                      |                     | <b>30/06/2007</b> |
| 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 jointly:

|                                  |            |   |   |         |            |
|----------------------------------|------------|---|---|---------|------------|
| For the year ended 30 April 2009 | 18,850,970 | - | - | 781,520 | 19,632,490 |
| For the year ended 30 June 2007  | 18,850,970 | - | - | -       | 18,850,970 |

**NOTE 16 RELATED PARTY DISCLOSURES**
*Controlled Entities*

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 7(c)). The wholly owned subsidiaries Strata Resources NL and Exmouth Exploration Pty Ltd will be provided with management and administration services. (Note 7(d)).

## NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2009

## NOTE 16 RELATED PARTY DISCLOSURES (Continued)

*Controlled Entities (continued)*

United Oil & Gas Pty Ltd, of which EG Albers is a director, is owned 50% by the Octanex and 50% by Strata Resources NL was until 27<sup>th</sup> June 2008 the legal and beneficial owner of 30% of the Western Otway Joint Venture. On the 27th June 2008 beneficial ownership in this permit was transferred to Octanex and Strata; each taking a 15% direct interest (Note 7(d)). In June 2007 United Oil & Gas Pty Ltd was only owned 50% by the consolidated entity and therefore was an associated entity (Note 7(e)).

*Director-related Entities*

Companies in which an Octanex director holds office, that provide services to the group or to a joint venture in which the group has an interest, or that also hold an interest in those joint ventures or in which the group 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 and PJ 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 PJ Albers

| Company   | Service Provided  | 2009<br>30 April<br>Consolidated<br>\$ | 2009<br>30 April<br>Company<br>\$ |
|-----------|---|--|-----------------------------------|
| Capricorn | Management and administration services to the company           | 270,000                                | 150,000                           |
| Capricorn | Management of exploration tenements                             | 138,462                                | 69,232                            |
| Exoil     | Office services and amenities in Melbourne                      | 39,468                                 | 35,528                            |
| NGA       | Provision of office services and amenities in WA                | 58,514                                 | 29,257                            |
| Setright  | Accounting, project management and company secretarial services | 49,315                                 | 33,230                            |
| Setright  | Accounting, project management of joint ventures                | 4,773                                  | 2,386                             |

| Company   | Service Provided  | 2007<br>30 June<br>Consolidated<br>\$ | 2007<br>30 June<br>Company<br>\$ |
|-----------|---|---------------------------------------|----------------------------------|
| Capricorn | Management and administration services to the company           | 40,000                                | 40,000                           |
| Capricorn | Management of exploration tenements                             | 22,300                                | 22,300                           |
| Exoil     | Office services and amenities in Melbourne                      | 53,642                                | 53,642                           |
| GMH       | Provision of geological equipment in WA                         | 22,300                                | 22,300                           |
| NGA       | Provision of office services and amenities in WA                | 18,758                                | 18,758                           |
| Setright  | Accounting, project management and company secretarial services | 3,700                                 | 3,700                            |
| Setright  | Accounting, project management of joint ventures                | 5,752                                 | 5,752                            |

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

- As operator of the Dampier project and with Strata (50%), a director-related entity of EG Albers.
- As a participant of the Northern Deeps Joint Venture with Strata (14%) and Exmouth Exploration Australia Ltd (12%) each director-related entities of EG Albers.
- As a participant of the Outer Exmouth Joint Venture through its ownership of Exmouth Exploration Australia Pty Ltd (40%) 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.

# NOTES TO THE FINANCIAL STATEMENTS

**30 APRIL 2009**

## NOTE 16 RELATED PARTY DISCLOSURES (Continued)

### (iii) Investments in Director-related Companies

At balance date the economic entity carried investments in ASX listed companies in the petroleum industry (Note 7(a)), Cue Energy Resources Ltd and Bass Strait Oil Co Ltd, both director-related entities of EG Albers and Moby Oil and Gas Limited a director-related entity of EGA Albers and GA Menzies.

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

|                                  | <b>Consolidated</b> |                | <b>The Company</b> |                |
|----------------------------------|---------------------|----------------|--------------------|----------------|
|                                  | <b>30 April</b>     | <b>30 June</b> | <b>30 April</b>    | <b>30 June</b> |
|                                  | <b>2009</b>         | <b>2007</b>    | <b>2009</b>        | <b>2007</b>    |
|                                  | <b>\$</b>           | <b>\$</b>      | <b>\$</b>          | <b>\$</b>      |
| <b>Receivables:</b>              |                     |                |                    |                |
| Gascorp Australia Ltd            | -                   | 2,613          | -                  | 2,613          |
| Exoil Limited                    | -                   | -              | -                  | -              |
| United Oil & Gas Pty Ltd         | -                   | 21,317         | -                  | 21,317         |
|                                  | <u>-</u>            | <u>23,930</u>  | <u>-</u>           | <u>23,930</u>  |
|                                  | =====               | =====          | =====              | =====          |
| <b>Payables</b>                  |                     |                |                    |                |
| Capricorn Mining Pty Ltd         | 130,820             | 30,125         | 70,410             | 30,125         |
| Exoil Limited                    | 3,600               | -              | 1,800              | -              |
| Great Missenden Holdings Pty Ltd | -                   | 11,380         | -                  | 11,380         |
| National Gas Australia Pty Ltd   | 16,708              | 20,435         | 8,355              | 20,435         |
| Setright Oil & Gas Pty Ltd       | -                   | 4,244          | -                  | 4,244          |
| Strata Resources NL              | -                   | 8,140          | -                  | 8,140          |
|                                  | <u>151,128</u>      | <u>74,324</u>  | <u>80,565</u>      | <u>74,324</u>  |
|                                  | =====               | =====          | =====              | =====          |

## NOTE 17 FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

|   | <b>Consolidated</b> |                   | <b>The Company</b> |                   |
|---|---------------------|-------------------|--------------------|-------------------|
|   | <b>30 April</b>     | <b>30 June</b>    | <b>30 April</b>    | <b>30 June</b>    |
|   | <b>2009</b>         | <b>2007</b>       | <b>2009</b>        | <b>2007</b>       |
|   | <b>\$</b>           | <b>\$</b>         | <b>\$</b>          | <b>\$</b>         |
| <b>Financial Assets</b>                                   |                     |                   |                    |                   |
| Loans and receivables (including cash & cash equivalents) | 31,166,133          | 2,705,832         | 14,353,363         | 2,705,831         |
| Available-for-sale  | 6,968,555           | 9,759,188         | 5,163,788          | 7,861,964         |
|   | <u>38,134,688</u>   | <u>12,465,020</u> | <u>19,517,151</u>  | <u>10,567,795</u> |
|   | =====               | =====             | =====              | =====             |
| <b>Financial Liabilities at amortised cost</b>            |                     |                   |                    |                   |
| Trade and other payable                                   | 305,820             | 138,626           | 202,777            | 138,626           |
| Non current payable                                       | 6,173,238           | -                 | 3,086,619          | -                 |
|   | <u>6,479,058</u>    | <u>138,626</u>    | <u>3,289,396</u>   | <u>138,626</u>    |
|   | =====               | =====             | =====              | =====             |

### Recognition and derecognition

The regular way purchases and sales of financial assets and financial liabilities are recognised on trade date is the date on which the consolidated entity commits to purchase or sell the financial assets or financial liabilities. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

## NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2009

## NOTE 17 FINANCIAL INSTRUMENTS (Continued)

**Recognition and derecognition (continued)**

Exposure to credit, interest rate, liquidity, foreign currency, market price and currency risks arises in the normal course of the consolidated entity's business. The consolidated entity's overall risk management approach is to identify the risks and implement safeguards which seek to minimise potential adverse effects on the financial performance of the consolidated entity's business. The board of directors are responsible for monitoring and managing the financial risks of the consolidated entity.

**Credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. At the balance sheet date there were no significant concentrations of credit risk as the consolidated entity has no trade sales or trade receivables. 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**

All financial liabilities and financial assets at floating rates expose the company to cash flow 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.

*Sensitivity Analysis*

At balance date a 1% (100 basis point) increase/decrease in the interest rate would increase/decrease the consolidated entity and company post tax profit by \$2,760 (2007: \$9,985) and \$2,287 (2007: \$9,985) respectively.

**Liquidity risk**

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. Liquidity risk is monitored to ensure sufficient monies are available to meet contractual obligations as and when they fall due.

The following are the contractual maturities of the financial liabilities, including interest payments.

Contractual amounts have not been discounted.

|  | Carrying<br>Amount | Contractual<br>cash flows | 0-12 months | 1-2 years | 2-10 years |
|--|--------------------|---------------------------|-------------|-----------|------------|
|  | \$                 | \$                        | \$          | \$        | \$         |

**30 April 2009:****Consolidated***Non-derivative Financial  
Liabilities*

|                          |                  |                   |                |                  |                  |
|--------------------------|------------------|-------------------|----------------|------------------|------------------|
| Trade and other payables | 305,820          | 305,820           | 305,820        | -                | -                |
| Non current payables     | 6,173,328        | 10,617,617        | -              | 6,832,345        | 3,785,272        |
|                          | <u>6,479,148</u> | <u>10,923,437</u> | <u>305,820</u> | <u>6,832,345</u> | <u>3,785,272</u> |

**30 June 2007:****Consolidated***Non-derivative Financial  
Liabilities*

|                          |         |         |         |   |   |
|--------------------------|---------|---------|---------|---|---|
| Trade and other payables | 138,626 | 138,626 | 138,626 | - | - |
|--------------------------|---------|---------|---------|---|---|

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 17 FINANCIAL INSTRUMENTS (Continued)****Foreign currency risk**

The consolidated entity is exposed to foreign currency risk arising from purchases of goods and services that are denominated in a currency other than the Australian dollar functional currency. 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. At balance date the consolidated entity has no material foreign currency exposure.

**Equity price risks**

Equity price risk arises from available for sale investments held by the parent and consolidated entity in the form of investments in listed equities. The portfolio of investments is managed internally by Octanex management who buy and sell equities based on their own analyses of returns.

Available for sale investments in listed equities of \$6,968,555 (2007: \$9,759,188) for the consolidated entity and \$5,163,788 (2007: \$7,861,964) for the parent entity are subject to movements in prices of the investment markets.

The consolidated entity and company investments in listed equities are listed on the Australian Stock Exchange. A 10% increase / decrease at the reporting date in closing share price of each share held would have increased/decreased consolidated equity by \$696,851 (2007: \$975,919). For the company, the same change would have increased/decreased equity by \$516,379 (2007: \$786,196). There would have been no effect on profit.

**Capital Management**

When managing capital, the directors' objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

It is the company's plan that capital, as and when required, further, will be raised by any one or a combination of the following manners: placement of shares to excluded offerees, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares. Should these methods not be considered to be viable, or in the best interests of shareholders, then it would be the consolidated entity's intention to meet its exploration obligations by either partial sale of its interests or farmout, the latter course of action being part of its overall strategy.

No company in the consolidated entity is subject to any externally imposed capital requirements.

**NOTE 18 ACQUISITION OF CONTROLLED ENTITIES****Acquisition of Strata Resources NL**

On 20 March 2009, Octanex NL acquired 100% of the voting shares of Strata Resources NL ("Strata"), an unlisted public company based in Australia which shares offshore petroleum exploration permits with Octanex. Strata is in the process of converting to a proprietary company and will become Strata Resources Pty Ltd.

The total cost of the combination was \$27,670,562 and comprised an issue of equity instruments. Octanex issued 57,276,689 ordinary shares to affect this business combination. Octanex also issued 33,000,000 ordinary shares to acquire 20,000,000 Strata shares held in trust. No value was given to these shares. Refer to note 12 for a description of these shares.

Where equity instruments are issued, the value of the equity instruments is their published market price as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 18 ACQUISITION OF CONTROLLED ENTITIES (Continued)****Acquisition of Strata Resources NL (continued)**

Whilst Octanex shares are listed on the National Stock Exchange ("NSX"), the published price at the date of exchange is an unreliable indicator, because it has been affected by the thinness of the market. The fair value of the equity instruments has therefore been estimated by reference to the proportional interest in the fair value of the acquiree (Strata) obtained.

The fair value of Strata is \$27,670,562, which is \$11,633,089 higher than the market value of the shares in Octanex which have been issued to affect this business combination. The published price of the Octanex shares listed on the NSX at 20 March 2009 was 28 cents. A separate experts report was obtained for the valuation of the exploration permits held by Strata. The valuer has used a number of different valuation methodologies to value the exploration permits:

- Historic transactions
- Historic expenditure
- Risked value

These are common methodologies adopted for early stage exploration assets. For historic expenditure the key assumption is that expenditure reflects value. Risked value assumes that the probability of a return reflects the value of the rights to receive those returns.

The fair value of the identifiable assets and liabilities of Strata as at the date of acquisition were:

|                                   | Fair<br>Value \$  | Carrying<br>Value \$ |
|-----------------------------------|-------------------|----------------------|
| Cash and Cash Equivalents         | 16,901,826        | 16,901,826           |
| Trade and other receivables       | 78,144            | 78,144               |
| Other financial assets            | 285,049           | 285,049              |
| Exploration and evaluation assets | 19,485,424        | 5,814,023            |
|                                   | <u>36,750,443</u> | <u>23,079,042</u>    |
| Trade and other payables          | 135,790           | 135,790              |
| Non-Current Payable               | 3,195,501         | 3,195,501            |
| Deferred Tax Liabilities          | 5,748,590         | 1,647,170            |
|                                   | <u>9,079,881</u>  | <u>4,978,461</u>     |
| Net identifiable assets acquired  | <u>27,670,562</u> |                      |
| <u>Purchase consideration</u>     |                   |                      |
| Shares issued                     | 27,670,562        |                      |

**Acquisition of Exmouth Exploration Pty Ltd**

On 20 March 2009, Octanex NL acquired 100% of the voting shares of Exmouth Exploration Pty Ltd ("Exmouth") a private company based in Australia which shares offshore petroleum exploration permits with Octanex and Strata.

The total cost of the combination was \$14,981,626 and comprised an issue of equity instruments. Octanex issued 30,526,968 ordinary shares to affect this business combination. Where equity instruments are issued, the value of the equity instruments is their published market price as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 18 ACQUISITION OF CONTROLLED ENTITIES (continued)****Acquisition of Exmouth Exploration Pty Ltd (continued)**

Whilst Octanex shares are listed on the National Stock Exchange ("NSX"), the published price at the date of exchange is an unreliable indicator, because it has been affected by the thinness of the market. The fair value of the equity instruments has therefore been estimated by reference to the proportional interest in the fair value of the acquiree (Exmouth) obtained.

The fair value of Exmouth is \$14,981,626, which is \$6,434,075 higher than the market value of the shares in Octanex which have been issued to affect this business combination. The published price of the Octanex shares listed on the NSX at 20 March 2009 was 28 cents. A separate experts report was obtained for the valuation of the exploration permits held by Exmouth. The valuer has used a number of different valuation methodologies to value the exploration permits:

- Historic transactions
- Historic expenditure
- Risked value

These are common methodologies adopted for early stage exploration assets. For historic expenditure the key assumption is that expenditure reflects value. Risked value assumes that the probability of a return reflects the value of the rights to receive those returns.

The fair value of the identifiable assets and liabilities of Exmouth as at the date of acquisition were:

|                                   | Fair<br>Value \$         | Carrying<br>Value \$ |
|-----------------------------------|--------------------------|----------------------|
| Trade and other receivables       | 27                       | 27                   |
| Exploration and evaluation assets | <u>21,402,284</u>        | <u>1,714,178</u>     |
|                                   | <u>21,402,311</u>        | <u>1,714,205</u>     |
| Deferred Tax Liabilities          | <u>6,420,685</u>         | <u>-</u>             |
|                                   | <u>6,420,685</u>         | <u>-</u>             |
| Net identifiable assets acquired  | <u><u>14,981,626</u></u> |                      |
| <u>Purchase consideration</u>     |                          |                      |
| Shares issued                     | 14,981,626               |                      |

**Acquired business contributions to the group**

The two acquired businesses contributed revenue of \$47,359 and a profit \$181,006 to the Group for the period since acquisition to 30 April 2009. If the acquisition had occurred on 1 May 2008, consolidated revenue and consolidated profit for the year ended 30 April 2009 would have been \$34,459,719 and \$16,230,215 respectively. These amounts have been calculated using the group's accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009**

| NOTE | Consolidated           |                       | The Company            |                       |
|------|------------------------|-----------------------|------------------------|-----------------------|
|      | 30 April<br>2009<br>\$ | 30 June<br>2007<br>\$ | 30 April<br>2009<br>\$ | 30 June<br>2007<br>\$ |

**NOTE 19 AUDITOR'S REMUNERATION**

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

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Audit and review of the financial reports(i) | 94,907        | 32,750        | 84,407        | 32,750        |
|  | <u>94,907</u> | <u>32,750</u> | <u>84,407</u> | <u>32,750</u> |

(i) 30 April 2009 includes fees for the year ended 30 June 2008, the half-year ended 31 December 2008 and the year ended 30 April 2009.

**NOTE 20 SEGMENT INFORMATION**

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

**NOTE 21 EVENTS SUBSEQUENT TO BALANCE DATE**

There are no significant events subsequent to balance date.

**NOTE 22 EARNINGS PER SHARE**

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

|            |           |         |
|------------|-----------|---------|
| Net profit | 7,649,662 | 685,268 |
|------------|-----------|---------|

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<br>Shares | Number of<br>Shares |
|-------------------------------|---------------------|---------------------|
| Basic earnings per share      | 60,268,823          | 49,653,967          |
| Options expiring 30 June 2009 | -                   | -                   |
| Diluted earnings per share    | <u>60,268,823</u>   | <u>49,653,967</u>   |

(i) Options not dilutive

Listed and unlisted options outstanding during the year (Refer Note 12) are not dilutive at the 30<sup>th</sup> April 2009 as the exercise price is higher than the average share price for the year then ended.



**NOTES TO THE FINANCIAL STATEMENTS****30 APRIL 2009****NOTE 23 CONTINGENT ASSET**

On the 19<sup>th</sup> June 2008 Octanex announced that the commercial arrangements for the sale of permits WA-384-P, WA-385-P and WA-394-P to Shell Development (Aust) Pty Ltd ("Shell") were complete. Shell has agreed to make a "Discovery Payment" to the Octanex Group (Octanex and Strata) for any discovery made in the permits but limited to a maximum of three Discovery Payments per permit.

Within six months of having made a discovery Shell must either:

- (i) Pay US\$5,000,000 to the Octanex Group; or
- (ii) Reassign to the Octanex Group the 100% interest in the permit in which the discovery was made.

Following an initial Discovery Payment, if Shell:

- (i) spuds an appraisal well in respect of the Discovery; or
- (ii) applies for a location, production licence or retention lease in respect of any Discovery;

then Shell must pay a further US\$5,000,000 to the Octanex Group.

Shell has also granted in favour of the Octanex Group a 1% Overriding Royalty payable on the basis of the gross assessable petroleum receipts recovered from a permit strategy.

## INDEPENDENT AUDITOR'S REPORT

To the members of Octanex N.L.

### Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Octanex N.L. for the year ended 30 April 2009 included on Octanex N.L.'s web site. The company's directors are responsible for the integrity of Octanex N.L.'s web site. We have not been engaged to report on the integrity of Octanex N.L.'s web site. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

### Report on the Financial Report

We have audited the accompanying financial report of Octanex N.L., which comprises the balance sheet as at 30 April 2009, 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, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year

#### *Directors' Responsibility for the Financial 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, 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.

#### *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.

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.

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

#### *Independence*

In conducting our audit, 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 report was made.

#### *Auditor's Opinion*

In our opinion the financial report of Octanex N.L. is in accordance with the *Corporations Act 2001*, including:

- (a) the financial report Octanex N.L. is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 April 2009 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*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 3 to 5 of the directors' report for the year ended 30 April 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



*Auditor's Opinion*

In our opinion, the Remuneration Report of Octanex N.L. for the year ended 30 April 2009, complies with section 300A of the *Corporations Act 2001*.



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



**NICHOLAS E. BURNE**  
Director

Melbourne, dated the 28<sup>th</sup> day of May 2009

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

As lead auditor of Octanex N.L. for the year ended 30 April 2009, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Octanex N.L. and the entities it controlled during the period.



**NICHOLAS E. BURNE**  
Director

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

Melbourne, dated the 28<sup>th</sup> day of May 2009

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