OCTANEX N.L.

ABN 61 005 632 315

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

DIRECTORY

BOARD OF DIRECTORS

E.G. Albers (Chairman)
G.A. Menzies
J.M.D. Willis

COMPANY SECRETARY

J.G. Tuohy

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NSX Code:
OCT Ordinary Shares
OCTOL Options 31 December 2010

INCORPORATED IN VICTORIA

13 March 1980

WEBSITE

www.octanex.com.au

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FORWARD LOOKING STATEMENTS

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

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

RISK FACTORS

Exploration for oil and gas is speculative, expensive and subject to a wide range of risks. There can be no assurance that any well drilled by Octanex will result in the discovery of oil or gas, nor that any discovery will prove to be commercially viable. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional adviser as to the suitability of an investment in the company.

CHAIRMAN'S REVIEW

For the Octanex Group, the 2008/2009 financial year can best be categorised as one of consolidation and preparation for an expanded future. At the same time we continued to be active in both exploration and commercial terms but, not surprisingly and given the financial fallout during 2008/2009, at a much reduced pace compared with 2007/2008.

Our focus over the last year was on our acreage offshore from Western Australian where our interests and permits in the Southern Exmouth, Exmouth, Exmouth Plateau and the Dampier Sub-basin were all the subject of exploration activity.

In WA-362-P, WA-363-P, WA-386-P and WA-387-P, on the northern margin of the Exmouth Plateau, OMV and ENI shot 7,407 km of new 2D seismic in these permits and have identified many features and leads worthy of further analysis. While it is still early days, if wells are drilled we will be free-carried through the first two wells in each permit.

We have been actively re-assessing the Exmouth Sub-basin permits WA-322-P and WA-329-P and have sought suspensions and variations to their terms while we review the 3D seismic acquired by BHP/Apache and the related interpretative data. These permits are being readied for farmout.

In the Dampier Sub-basin we focussed on the Parker/Webley trend in WA-323-P and WA-330-P. We believe that the Parker-1 well was a significant gas discovery in the Triassic, thus opening up potential for a major gas/condensate/oil play in these two permits. We conducted an OBC 3D seismic survey over the Winchester Prospect by entering into a transaction with Geokinetics whereby, in return for their turn-key acquisition of the Winchester OBC data, the Octanex Group agreed to pay Geokinetics a total of US$9.75 million. We have already paid US$2,500,000 to Geokinetics, with the balance payable in the future but being subject to accelerated payments as certain trigger events occur. The principle events are the farmout or sale or renewal of the WA-323-P and WA-330-P permits. Given the location of the permits, we have formed the view these events are likely to occur within the next three years. This view is based on our assessment of the attractiveness of the WA-323-P and WA-330-P assets and our success to date in entering into similar transactions elsewhere in the region.

In the Southern Exmouth Basin we hold contingent rights in WA-384-P, WA-385-P and WA-394-P. Shell Development (Australia) Pty Ltd previously acquired the 100% working interests in these three permits from the Octanex Group. In the event of a discovery in any one or more of the permits, the Octanex Group holds rights to bonus payments and to a royalty payment. Shell has shot the Guacamole 2D of 3,440 kms within the permits.

A more detailed description of all of our exploration activities is contained in the Directors' Report under the heading Review of Operations.

During the year we spent a considerable amount of time planning and eventually effecting a merger with the other participants of our joint ventures, Strata Resources N.L. (Strata) and Exmouth Exploration Pty Ltd (Exmouth). We issued shares in the Company as consideration for the acquisition of all the shares in Strata and Exmouth, so both become wholly-owned subsidiaries and thus members of the Octanex Group. These actions were approved by Shareholders and the Supreme Court of Victoria.

The merger with Strata and Exmouth created a significant change in the capital structure of the Group. Additional to that was the decision to seek listing of the Company's securities on ASX. As a result of these developments the Board decided to offer to extend the 30 June 2009 options. This offer was well received and appreciated by Optionholders and, as a result, a large proportion of the options (approximately 97%) have been extended to 31 December 2010. Details of the new terms and conditions of these options are outlined below.

As a precusor to making application to be admitted to the Official List of ASX, the Company made an offer by way of an Offer Information Statement (OIS) for the placement of up to 5,000,000 shares at an issue price of 20 cents each. Patersons Securities Ltd acted as managing broker. The offer raised $1,000,000 and provided the Company with 187 additional members holding marketable parcels ($2,000 worth of shares). For every share subscribed for under the offer an accompanying free option was granted. Those options carry the right to acquire an ordinary share in the Company at an exercise price of 25 cents and are exercisable at any time up to 31 December 2010.

While Octanex will for the time being remain listed on NSX, increasing the 'spread' of shareholders will more readily satisfy the Listing Rules of ASX, in anticipation of the Company applying to list its securities on ASX. As noted in the OIS, while application will be made for the Company's securities to be listed on ASX, no assurance can be given that this will be achieved.

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

The existing and recently extended options and the options attached to the shares subscribed for under the OIS have the same terms and condtions. They may be exercised on or before 31 December 2010 by either paying up the full exercise price of 25 cents (to receive one fully paid ordinary share in the Company) or by an initial payment of 5 cents per option exercised and the balance subject to two calls of 10 cents each, the calls payable on 31 December 2011 and 31 December 2012.

The merger with Strata and Exmouth was an important stage in the evolution of the Octanex Group. The Groups's exploration focus is directed at creating value from its asset base by a combination of its own exploration efforts and in joint venture. The Octanex Group has an excellent portfolio of interests which, in several instances, are being explored by world-class companies.

Our strategy, which focuses heavily on managing risk, includes the careful selection of acreage, conservative bidding, significant initial positions, highly cost competitive exploration, alliancing, farmout of obligations and a preparedness to deal interests in order to reduce or spread risk.

On 18 August 2009, Mrs Pamela Albers retired as a Director and has been replaced by Mr James Willis. The Board records its sincere thanks to Mrs Albers for her service and support of the Company for the past thirteen years.

Through the Group's projects and their management, it has always been and remains the objective of Octanex to provide Shareholders 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.

We thank Shareholders for their support.

E.G. Albers
Chairman
19 August 2009

DIRECTORS' REPORT

The directors present their report on the results of Octanex N.L. ("the company" or "Octanex") and its wholly-owned subsidiaries ("consolidated entity" or "group") for the year ended 30 June 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.

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 Moby Oil & Gas Limited, Exoil Limited and ASX-listed Papyrus Australia Limited. Director since 26 August 2003.

JMD Willis LL.M (Hons), Dip Acc
Non-Executive Director

Until his resignation form the practice in 2007, Mr Willis had been a partner in a leading New Zealand law firm, Bell Gully, for more than twenty-five years where his practice speciality was 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 the role of Managing Director of the Albers Group of companies. He is Chairman of the NSX-listed Exoil Limited and was director of the ASX-listed MEO Australia Limited until June 2008, a position he held for ten years during a crucial period of growth. With Mr Albers he was co-founder and later a director of Southern Petroleum, a successful New Zealand explorer and partner, now wholly owned by Shell. Mr Willis was appointed as a Director on 18 August 2009.

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. Mrs Albers was appointed as a Director on 23 March 1996 and retired on 18 August 2009.

DIRECTORS' REPORT (Continued)

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. Mr Tuohy is a chartered accountant in New Zealand. He was appointed Company Secretary on 17 September 2008.

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 by each director's.

	Meetings Held	**Meetings Attended**
EG Albers	4	4
PJ Albers	4	4
GA Menzies	4	4

Following the reduction in the number of directors to three in the year ended 30 June 2008, audit committee activities were suspended, with the board undertaking all audit committee functions.

DIRECTORS' INTERESTS

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

	Ordinary Shares	31/12/2010 Options
EG Albers	109,802,176	20,427,490
GA Menzies	-	50,000
JMD Willis *	2,120,010	500,000

* Through his consulting company, Upstream Consulting Pty Ltd, JDM Willis also holds 3,750,000 unlisted options. Details of these options are provided in unlisted options section of this Directors' Report

PJ Albers retired as Director on 18 August 2009. At the date of retirement PJ Albers held interest in 73,441,027 ordinary shares and 19,632,490 options.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial 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 loss after income tax for the year ended 30 June 2009 of $830,239 (2008: profit $17,865,746).

DIRECTORS' REPORT (Continued)

CHANGE IN STATE OF AFFAIRS

During the financial year the company acquired 100% of the shares of Strata Resources Pty Ltd (then Strata Resources N.L.) and Exmouth Exploration Pty Ltd. Those two companies share interests in offshore petroleum exploration permits with Octanex.

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 the material investments in Cue Energy Resources Limited, Babcock and Brown Power, Orion Petroleum Limited and Central Petroleum Limited.

DIVIDENDS

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

REVIEW OF OPERATIONS

Octanex, by itself and through its wholly-owned subsidiaries, holds working interests in 10 petroleum exploration permits and residual and royalty interests in a further 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.

In this Review of Operations, 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.

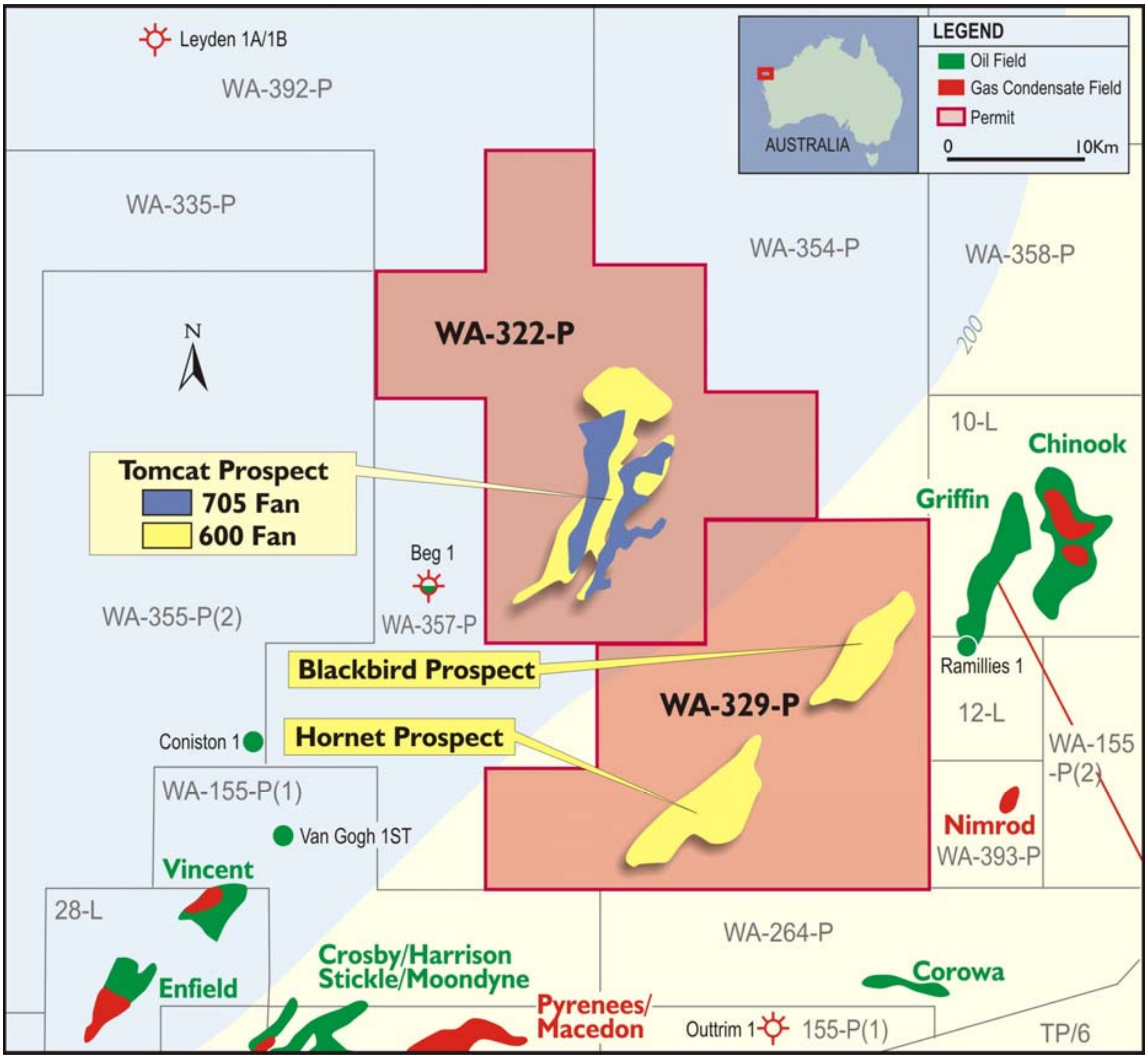
Five of the permits in which interests are held by the Octanex Group are located in the Exmouth Sub-basin (WA-322-P, WA-329-P, WA-384-P, WA-385-P and WA-394-P), with a further four permits located on the Exmouth Plateau (WA-362-P, WA-363-P, WA-386-P and WA-387-P). Two of the permits are located in the 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.

DIRECTORS' REPORT (Continued)

BUSINESS AND OPERATIONS

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

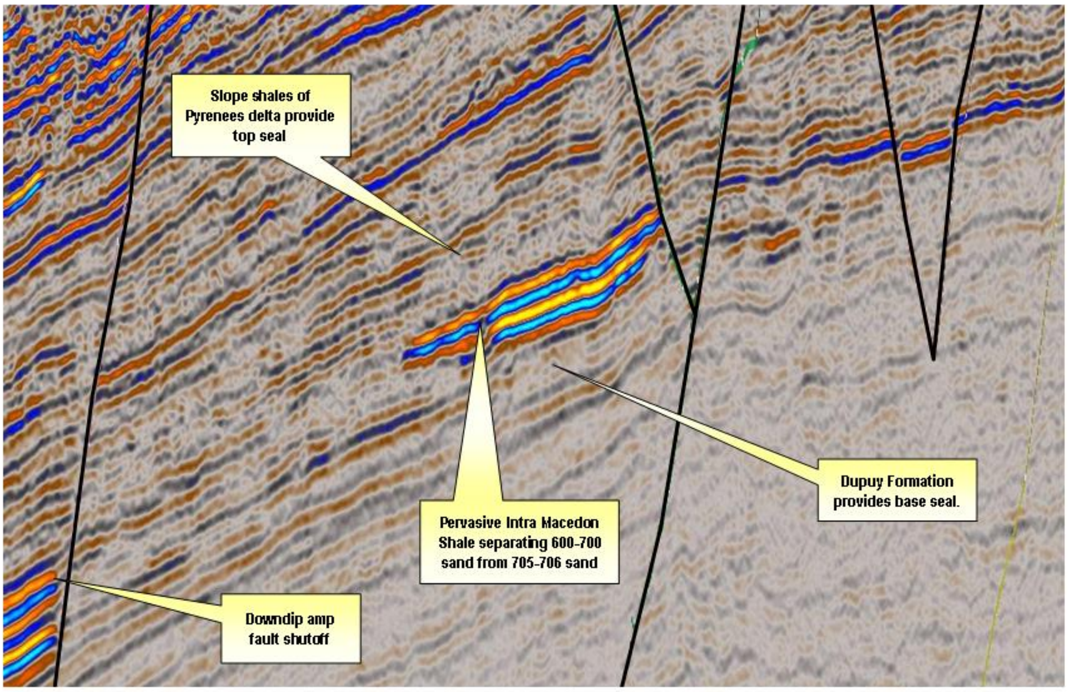
The WA-322-P and WA-329-P permits are situated in the Exmouth Sub-basin and displayed in the location map below. The Octanex Group holds a 100% interest in both permits and they are in year-6 of their permit terms.



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

DIRECTORS' REPORT (Continued)

The Octanex Group holds a substantial amount of 3D seismic over WA-322-P, including approximately 640 km² of 3D acquired as part of the HCA04A Seismic Survey. Octanex is 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.



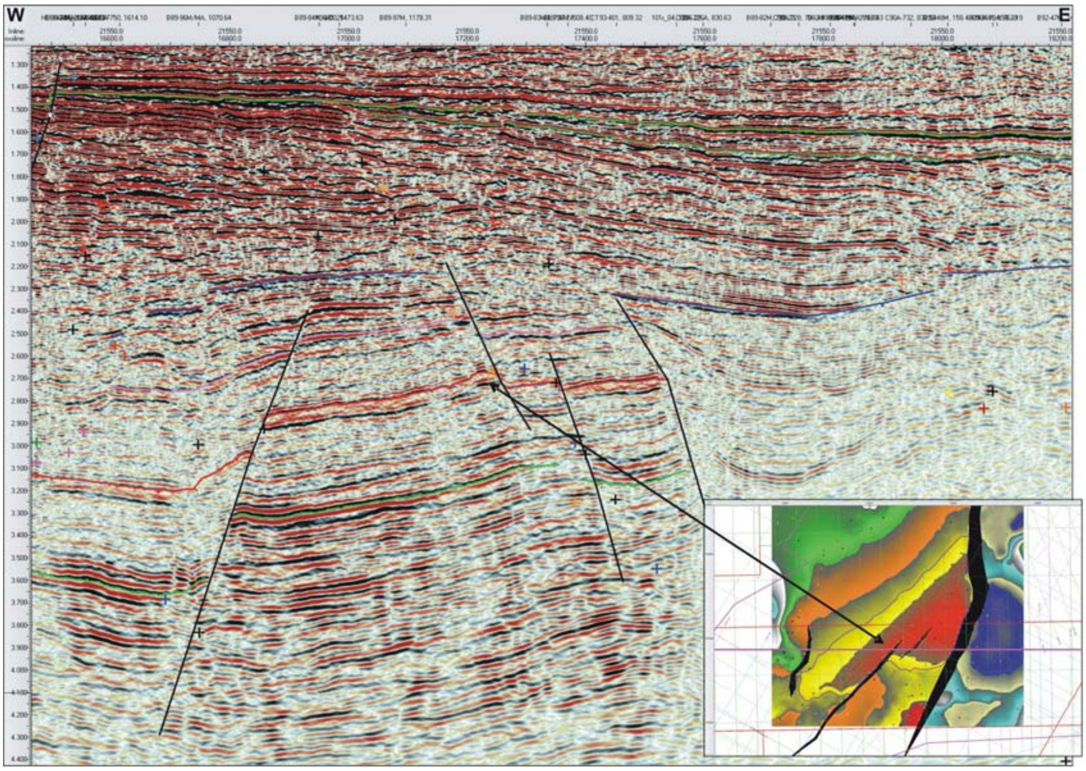
Tomcat Submarine Fan Play – WA-322-P

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 km² acquired as part of the same HCA04A Seismic Survey, as well as the reprocessed Swell-Baylis 3D Seismic Survey dataset of some 800 km².

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 on the previous page and in the graphics on the following page.

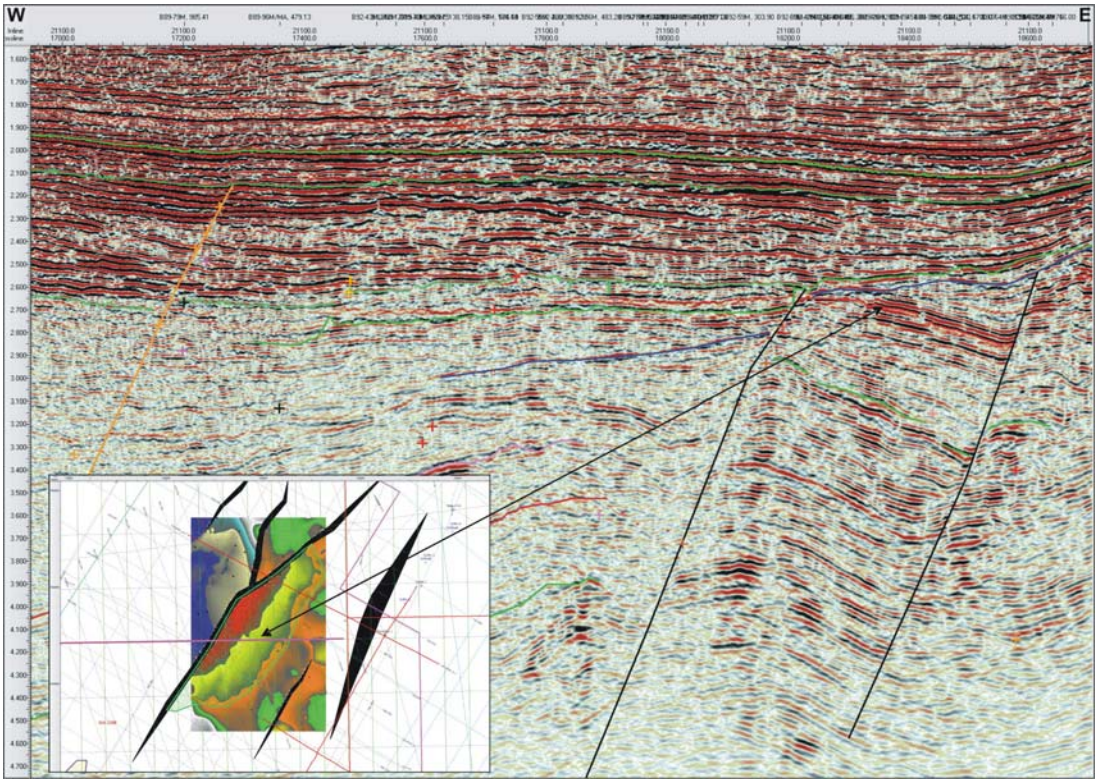
The prospects within WA-329-P are gas/condensate targets, strategically located offshore from Onslow, the site of two proposed LNG processing plants involving each of BHP and Chevron.

DIRECTORS' REPORT (Continued)



Blackbird Prospect WA-329-P

The Blackbird Prospect is interpreted as a 40 km² 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

DIRECTORS' REPORT (Continued)

The Hornet Prospect is interpreted as a 28 km² 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.

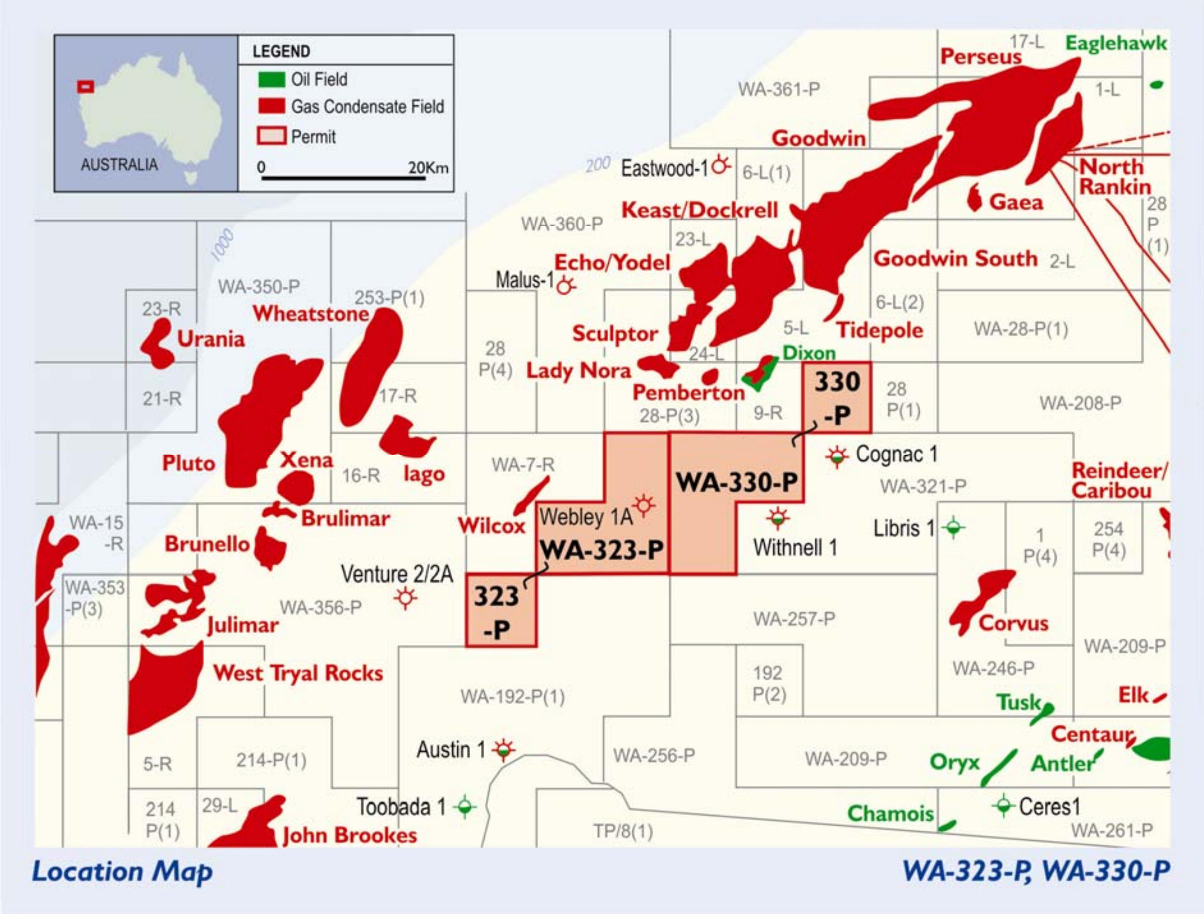
The work programmes for year-5 are the same for each of permits WA-322-P and WA-329-P and involve the acquisition of 3D seismic data relevant to the respective areas and geotechnical studies. These work programmes are completed.

The year-6 work programme for each permit is an obligation to conduct general and geophysical studies.

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 kms². 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.



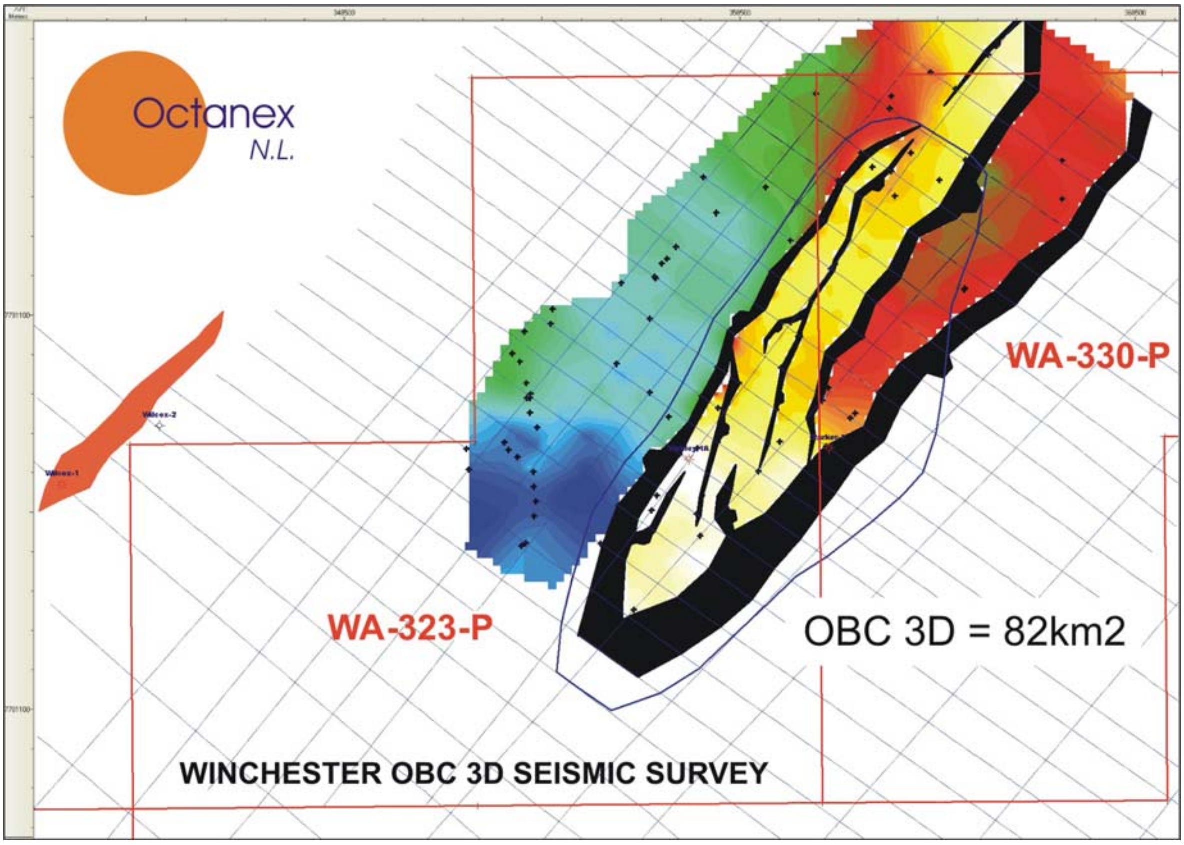
DIRECTORS' REPORT (Continued)

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. Octanex 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 north-western 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 south-west.

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 ocean bottom cable ("OBC") 3D seismic survey within both permits and over the Winchester Prospect. The total outline area of the survey was some 195 km², of which approximately 82 km² 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.

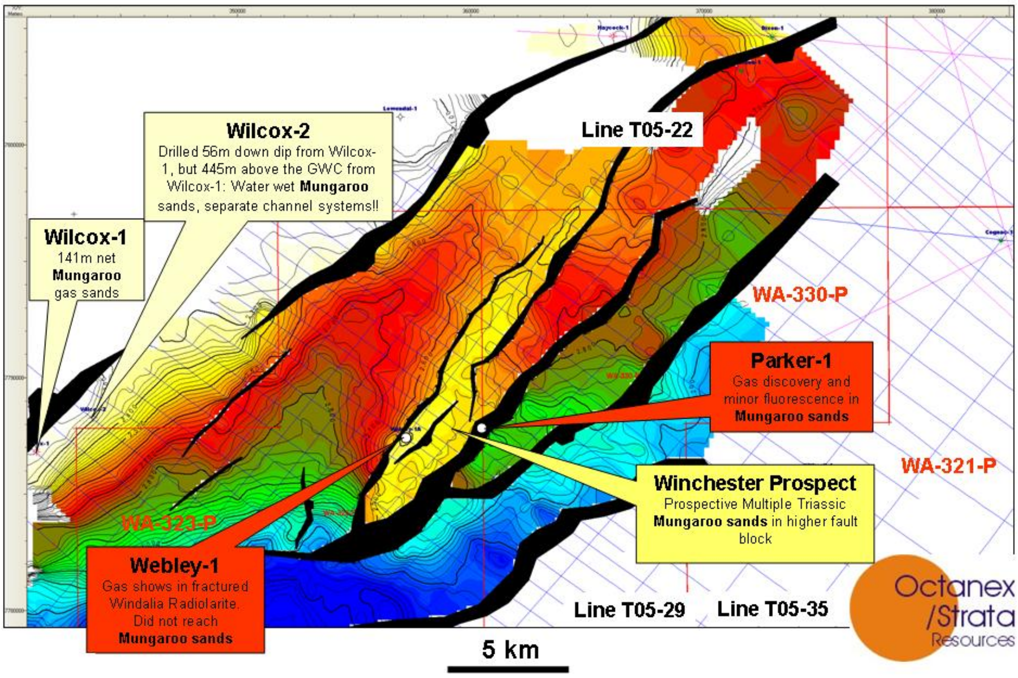


DIRECTORS' REPORT (Continued)

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 map following.

Parker/Webley Horst - Top Triassic TWT Map
Winchester Prospect



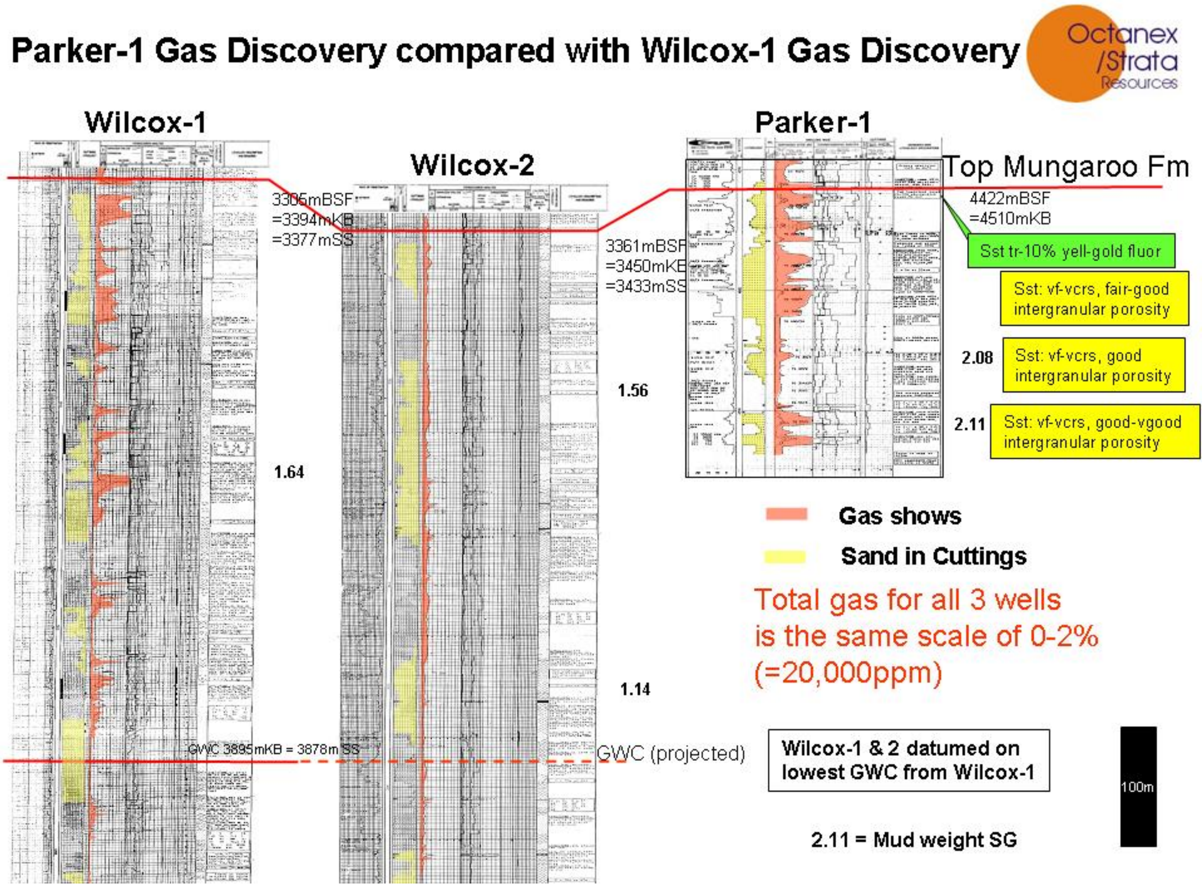
Octanex believes the Parker well penetrations in 1979/80, made by Woodside, demonstrated a gas discovery in the Triassic. None of the shallow Webley-1 well penetrations were deeper than the upper part of the Early Cretaceous regional seal. Those Webley penetrations were therefore entirely irrelevant 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. Octanex therefore considers the Parker-1 & ST1 penetrations were a Triassic gas discovery in the Mungaroo Formation sands.

DIRECTORS' REPORT (Continued)

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 north-east 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.



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.

DIRECTORS' REPORT (Continued)

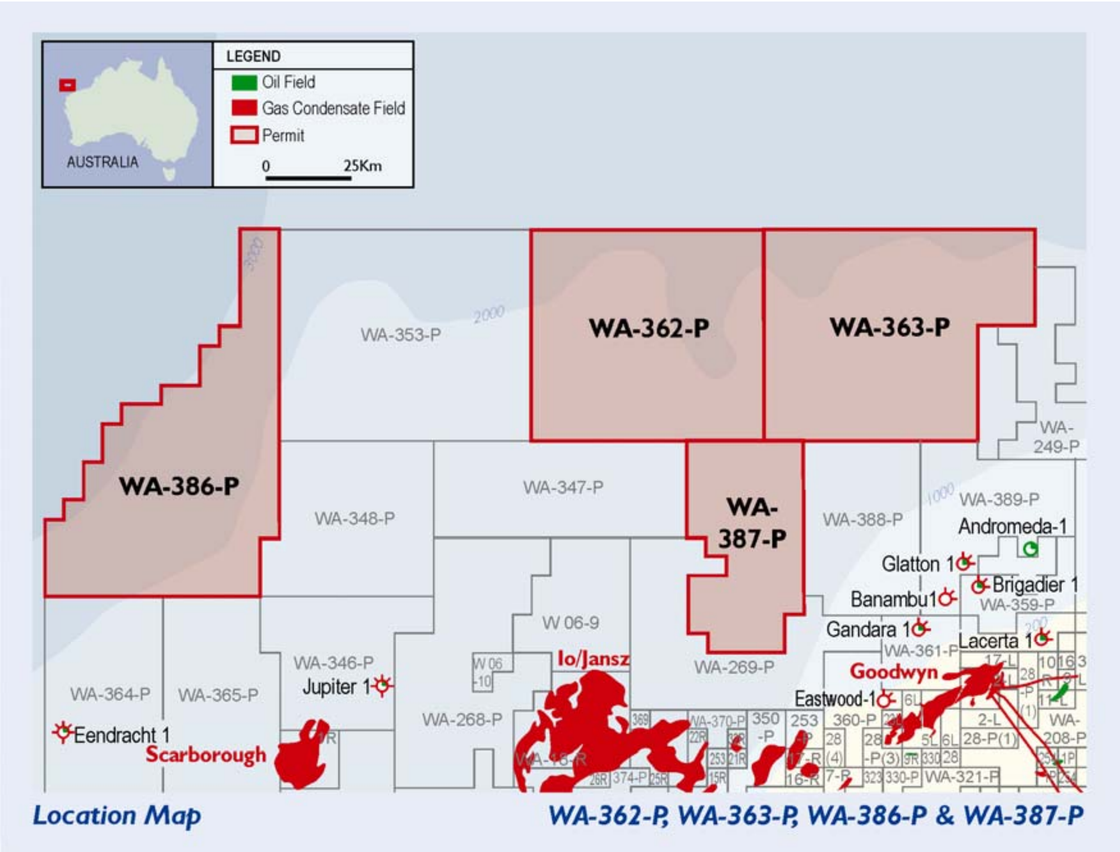
The proximity to WA-323-P and WA-330-P of existing infrastructure and likely future infrastructure extensions, as well as new infrastructure, bodes well for any discovery that may be made, whether that be oil or gas. Significant future demand for gas to supply both domestic demand and the proposed Wheatstone 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 km², 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.

DIRECTORS' REPORT (Continued)

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 Seismic Survey. These data are currently being interpreted for the JV's by OMV.

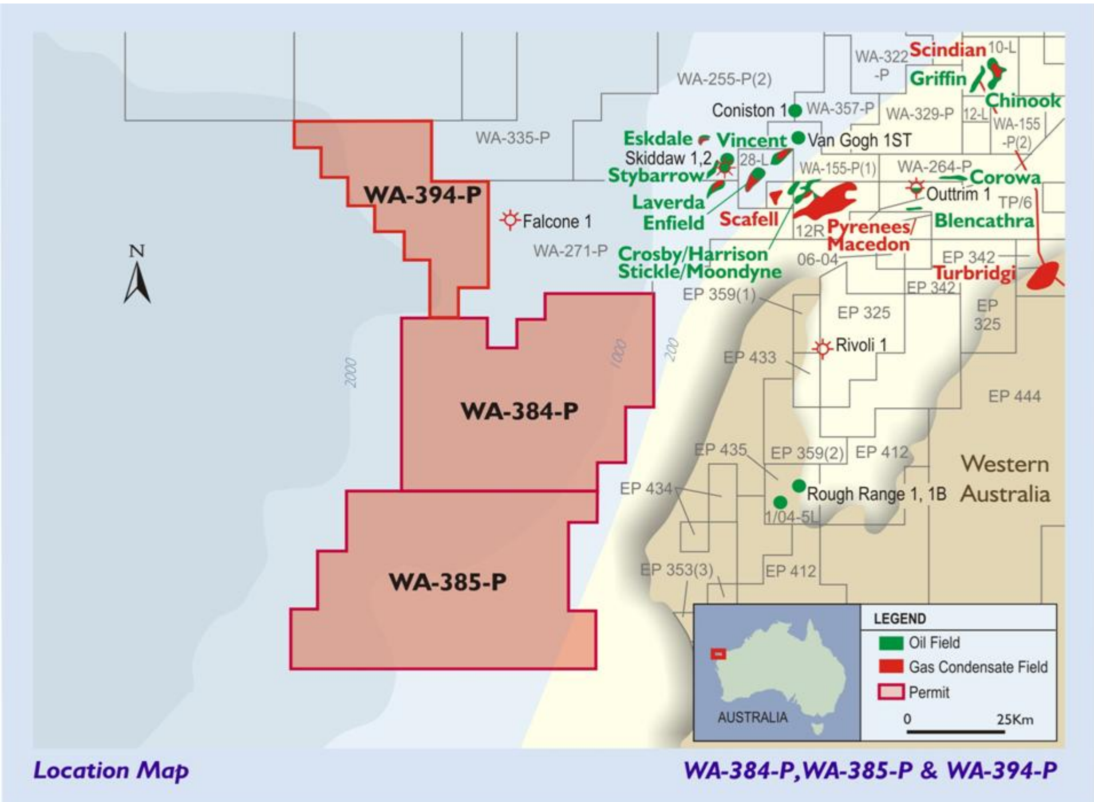
The next decision point for OMV and ENI is that by 1 January 2010 they must commit to the drilling of a well in any one of the permits or re-assign their entire 60% interest in all four permits back to the Octanex Group.

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.



DIRECTORS' REPORT (Continued)

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 data was acquired by the Guacamole Seismic Survey.

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 discovery payments and the overriding royalty provisions relating to each of the permits.

EPP 34, Otway Basin

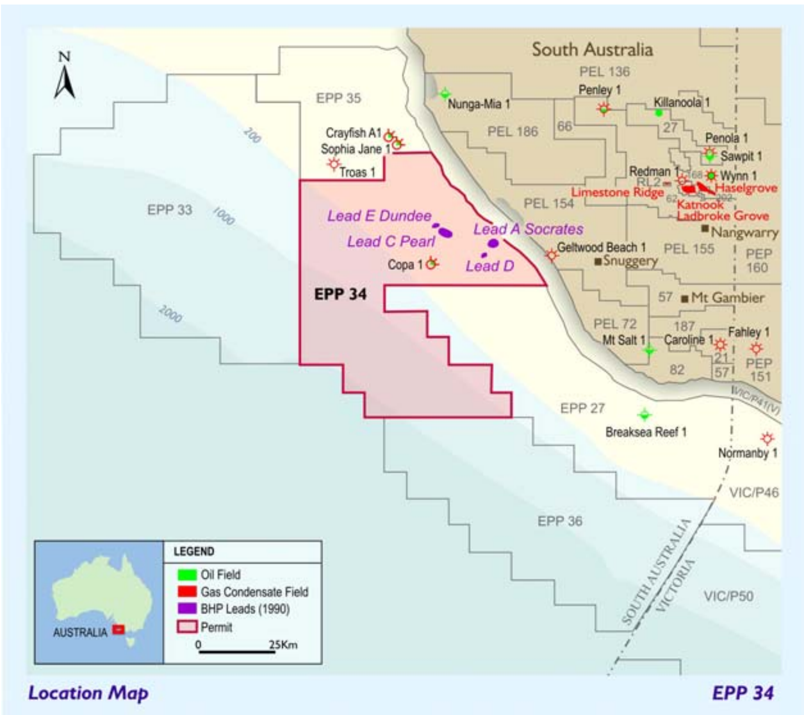
The Joint Venture that operates the EPP 34 permit consists of:

Exoil Limited	15% and Operator
Octanex Group	30%
Moby Oil & Gas Limited	20%
National Energy Pty Ltd	15%
Gascorp Australia Pty Ltd	10%
National Gas Australia Pty Ltd	10%

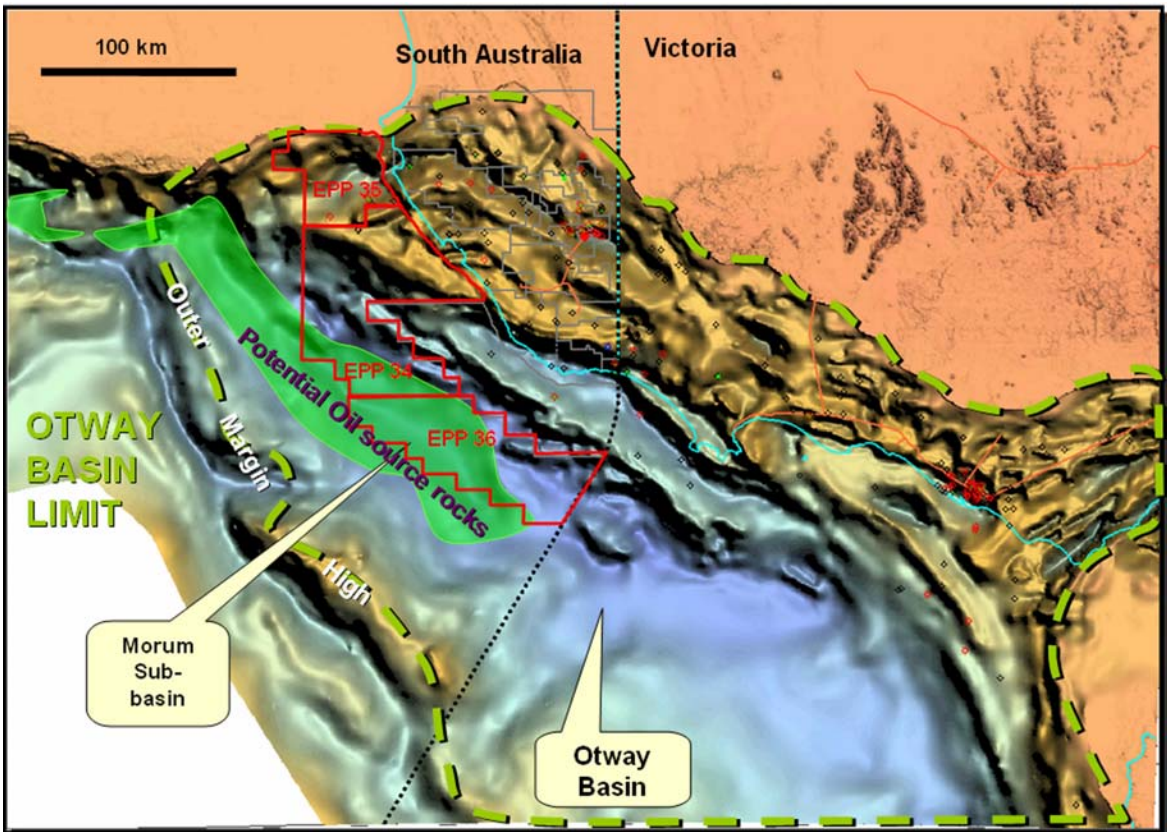
In Q2 2008, an 1,100 km seismic grid of new 2D data was acquired in EPP 34 as the Trocopa 2D Seismic Survey. Processing of this data, in conjunction with reprocessing of more than 1,500 km of old data, is continuing. Interpretation of the seismic data has focused on the northern shelfal section of the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



DIRECTORS' REPORT (Continued)



Vic/P61, Otway Basin

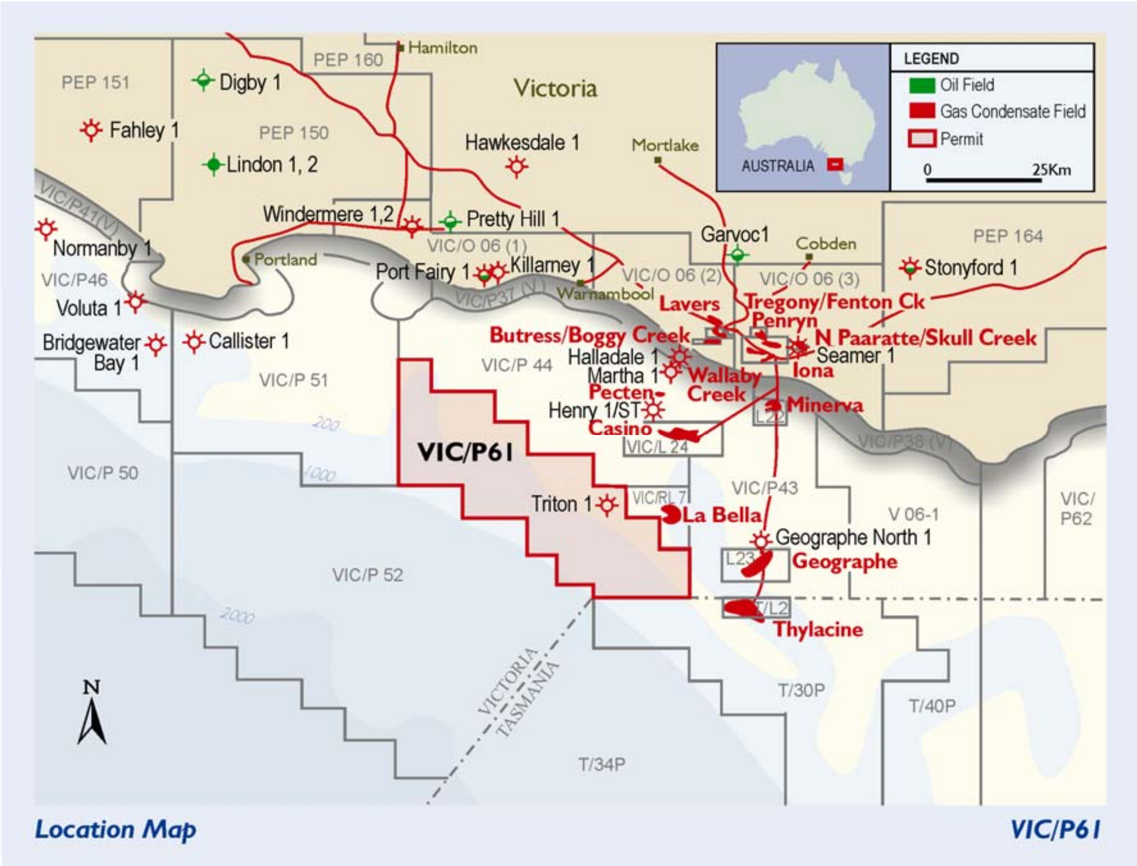
The Joint Venture that operates the Vic/P61 permit consists of:

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 kms² 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 has undertaken a critical evaluation of future operations, given the highly restrictive environmental requirements and the difficulty of reconciling good technical and acquisition practice with those requirements. Subsequent to that evaluation discussions have been initiated with the authorities with a view to relinquishing the permit.

DIRECTORS' REPORT (Continued)



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 directors were remunerated a total of $65,400 (2008: $87,200) which included shareholder approved non-executive remuneration of $43,600 (2008: $59,950).

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (continued)

There is no performance related remuneration for directors. 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.

	Year	*Short Term Employment Benefits*			*Post Employment*		*Total*
		Directors Fees	*Other Fees*	*Salary*	*Superannuation*	*Retirement Benefit*	
		$	*$*	*$*	*$*	*$*	*$*
Directors							
EG Albers	**2009**	**-**	**-**	**-**	**21,800**	**-**	**21,800**
	2008	-	-	-	27,250	-	27,250
PJ Albers[1]	**2009**	**-**	**-**	**-**	**21,800**	**-**	**21,800**
	2008	-	-	-	29,975	-	29,975
GA Menzies	**2009**	**-**	**21,800**	**-**	**-**	**-**	**21,800**
	2008	27,500	-	-	2,475	-	29,975
Total Directors	**2009**	**-**	**21,800**	**-**	**43,600**		**65,400**
	2008	27,500	-	-	59,700		87,200
Company Secretary							
DB Hill	**2009**	**-**	**-**	**-**	**7,800**[2]	**-**	**7,800**
	2008	-	-	-	5,025	-	5,025
JG Tuohy	**2009**	**-**	**57,475**[3]	**-**	**-**	**-**	**57,475**
	2008	-	-	-	-	-	-
TOTAL	**2009**	**-**	**79,275**	**-**	**51,400**	**-**	**130,675**
	2008	27,500	-	-	64,725	-	92,225

[1] On 18 August 2009 PJ Albers retired as director and was replaced by JMD Willis.
[2] $7,800 (2008:$5,025) paid in lieu of salary is included (DB Hill resigned as company secretary 17 Sept 2008)
[3] $57,475 (2008: Nil) paid in lieu of salary is included (JG Tuohy was appointed as company secretary 17 Sept 2008).

No options were granted to company officers for performance in 2009 or 2008.

Interests in options (exercisable by 31 Dec 2010 at 25 cents per share)

	Held at	Granted as compensation	Exercised	Other Changes	Held at 30 June	Vested during the year	Vested and exercisable at 30 June
	1 July 2008				**2009**		**2009**
EG Albers	20,527,490	-	-	(100,000)	20,427,490	-	20,427,490
PJ Albers (i)	18,850,970	-	-	781,520	19,632,490	-	19,632,490
GA Menzies (ii)	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 18 August 2009 PJ Albers retired as director and was replaced by JMD Willis. At that date JMD Willis had 500,000 31 December 2010 options that he acquired from participating in public offerings.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (continued)

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

The options had an expiry date of 30 June 2009; on 29 May 2009 the company extended the option exercise date to 31 December 2010 and all directors chose to extend.

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.

Options held as at 30 June 2008 were:

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

	Held at 1 July 2007	Granted as compensation	Exercised	Other Changes	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
EG Albers	20,527,490	-	-	-	20,527,490	-	20,527,490
PJ Albers	18,850,970	-	-	-	18,850,970	-	18,850,970
GA Menzies	50,000	-	-	-	50,000	-	50,000
	39,428,460	-	-	-	39,428,460	-	39,428,460

SERVICE CONTRACTS

JMD Willis was appointed as Director on 18 August 2009. Through his consulting company, Upstream Consulting Pty Ltd, there is service contract between him and the company, in his capacity as a consultant which was signed in 2007. There is no end period to the contract and either party must give twelve months notice to terminate the contract. There are no other service contracts in place or proposed with any of the other directors of the company as at the signing of this report.

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 made the Oyong oil and gas discovery, which is located offshore East Java, in the Madura Strait of Indonesia and has been developed for oil and gas production. In New Zealand, Cue holds a

DIRECTORS' REPORT (Continued)

5% interest in PEP38413, the permit that contains the Maari oil field in the offshore Taranaki Basin and which is now in production.

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

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

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

Central Petroleum Limited *(ASX Code: CTP & CTPO)*
The group holds 10,000,000 shares in Central Petroleum Limited ("Central"). It also holds 5,000,000 options over ordinary shares in Central with an exercise price of 16 cents and an expiry date of 31 March 2014.

Central's main activity is as an oil and gas explorer operating within a number of petroleum exploration licences in the Northern Territory and South Australia in which it has an interest.

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

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

Bass Strait Oil Company Ltd *(ASX Code: BAS*)
The group holds 4,000,000 ordinary shares in Bass Strait Oil Company Ltd ("Bass").

DIRECTORS' REPORT (Continued)

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

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

WEBSITE

The company has a website that can be found at 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. The company monitors and evaluates its procedures. During the year there were no reported health and safety incidents.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the year and to the date of this report, the company did not pay premiums in respect of contracts insuring officers or auditors of the company against liabilities arising from their position of officers or auditor 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 each of Strata Resources Pty Ltd and Exmouth Exploration Pty Ltd.

Per the terms of the Offer Information Statement dated 10 June 2009 the allotment of the 5,000,000 fully paid 20 cent ordinary shares and accompanying 5,000,000 free 31 December 2010 options was completed on 10 July 2009.

DIRECTORS' REPORT (Continued)

Trustee Stock Scheme
With the approval of its members and the ratification of the Supreme Court of Victoria, Strata Resources Pty Ltd 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.

OPTIONS

The company granted options over unissued shares in the company on 7 November 2003. 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 23 May 2008 the company extended the exercise date to 30 June 2009. On the 29 May 2009 the company further extended the exercise date to 31 December 2010.

Further to the extension of the options expiry date, the following terms have been offered to option holders;

As an alternative to payment of the exercise price in full on or before the extended expiry date; the right to exercise their options on the extended expiry date by the payment of 5 cents per option on exercise, with the balance 20 cents per option that remains outstanding to be paid in two calls of 10 cents each such that:
(a) the first call is paid by 31 December 2011; and
(b) the second call is paid by 31 December 2012.

31 Dec 2010 Listed Options – exercisable at 25 cents

	2009 Options	**2008 Options**
Balance at beginning of year	28,854,710	30,244,296
Options expired (i)	(945,728)	(1,236,716)
Options exercised	(67,610)	(152,870)
Options issued 10 July 2008	60,000	-
Balance at end of year(ii)	27,901,372	28,854,710
	=======	=======

(i) Options, the holders of which did not elect to extend the expiry date.
(ii) On the 23rd May 2008 the original exercise date of these options was extended by one year from 30 June 2008 to 30 June 2009. On 29 May 2009 the expiry date was further extended to 31 December 2010.

Per the terms of the Offer Information Statement dated 10 June 2009 the allotment of the 5,000,000 fully paid 20 cent ordinary shares and accompanying 5,000,000 free 31 December 2010 options was completed on 10 July 2009.

DIRECTORS' REPORT (Continued)

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 on or before
1. 750,000	$0.50	30 June 2010
2. 750,000	$0.60	30 June 2011
3. 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. The following additional extant options over ordinary fully paid shares in Octanex were granted to Upstream.

Tranche/options	Exercise Price	Exercisable on or before
1. 500,000	$0.3030	30 June 2010
2. 500,000	$0.3636	30 June 2011
3. 500,000	$0.4242	30 June 2012

	2009 Options	**2008 Options**
Unlisted Options		
Balance at beginning of year	3,000,000	3,750,000
Options exercised	-	(750,000)
Options granted 17 March 2009	2,000,000	-
Options expired	(1,250,000)	
Balance at end of year	3,750,000	3,000,000

Upstream Consulting Pty Ltd is owned by JDM Willis. He was appointed as Director on 18 August 2009.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Cash of $1,033,498 was received during the month of June 2009 for the issue of ordinary shares offered per the Offer Information Statement dated 10 June 2009. On 10 July 2009 the allotment of the 5,000,000 fully paid 20 cent ordinary shares and accompanying 5,000,000 free 31 December 2010 options was completed.

On 23 July 2009 Octanex was allocated 5,044,000 Cue Energy Resources Limited ("Cue') ordinary shares from an entitlement issue for a cost of $756,600. On 6 August 2009 there was a further allocation under this entitlement issue of another 2,232,028 ordinary shares for a cost of $334,804. The market value of these shares has increased since acquisition. As at 17th August 2009 the market price of the shares is 23 cents at which the total market value of Octanex's investment in the newly acquired Cue share is $1,673,486. This is $582,082 above the purchase price, the economic effect of which has not been recognised in the Financial Report for the year ended 30 June 2009.

In addition to the increase in value on Cue shares acquired since balance date, a significant increase in market value has occurred on Octanex original holdings of Cue shares at balance date. At 30th June 2009 the 36,380,140 Cue shares held by Octanex had a market value of 14.5 cents per share for a total value of $5,275,120. The shares were purchased at an average price of 5.07 cents for a total cost of $1,844,092. As at 17th August 2009 the market price of the shares is 23 cents at which the total market value of Octanex's investment is $8,367,432. This is $3,092,312 above the market value at balance date and $6,523,340 above the purchase price, the economic effect of which has not been recognised in the Financial Report for the year ended 30 June 2009.

DIRECTORS' REPORT (Continued)

SIGNIFICANT EVENTS AFTER BALANCE DATE (continued)

On 30 July 2009 Octanex incorporated a new fully owned unlisted New Zealand company, Octanex NZ Limited, for the purpose of applying for an offshore exploration permit in the Taranaki area of New Zealand. Octanex has 100% of the voting shares of Octanex NX Limited. The company has paid up capital of New Zealand $100 (Australian $80).

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

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 June 2009.

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

Signed in accordance with a resolution of the directors in Melbourne, 19 August 2009.

EG Albers
Director

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 June 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 17 to 19 of the directors' report, (as part of audited Remuneration Report), for the year ended 30 June 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, 19 August 2009

INCOME STATEMENT
YEAR ENDED 30 JUNE 2009

	NOTE	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Income	2	3,174,564	26,595,388	1,833,140	26,595,388
Expenses	3	(5,148,516)	(940,008)	(5,290,446)	(940,008)
(Loss) profit before tax		(1,973,952)	25,655,380	(3,457,306)	25,655,380
Income tax benefit (expense)	4	1,143,713	(7,789,634)	1,286,838	(7,789,634)
(Loss) profit after tax		(830,239)	17,865,746	(2,170,468)	17,865,746
Basic earnings per share (cent per share)	23	(0.01)	0.36		
Diluted earnings per share (cent per share)	23	(0.01)	0.36		

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

OCTANEX NL

ABN 61 005 632 315

BALANCE SHEET
AT 30 JUNE 2009

	NOTE	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
CURRENT ASSETS					
Cash and cash equivalents	5	31,168,371	23,004,274	15,300,922	23,004,274
Trade and other receivables	6	74,489	305,060	67,784	305,060
Forward exchange contract	7	-	55,388	-	55,388
TOTAL CURRENT ASSETS		31,242,860	23,364,722	15,368,706	23,364,722
NON-CURRENT ASSETS					
Other financial assets	8	8,712,604	13,101,351	48,855,666	11,148,327
Exploration and evaluation assets	9	47,105,616	2,322,667	6,022,829	2,322,667
TOTAL NON-CURRENT ASSETS		55,818,220	15,424,018	54,878,495	13,470,994
TOTAL ASSETS		87,061,080	38,788,740	70,247,201	36,835,716
CURRENT LIABILITIES					
Trade and other payables	10	1,483,885	759,694	1,404,248	759,694
Current tax liabilities		-	6,162,024	-	6,162,024
TOTAL CURRENT LIABILITIES		1,483,885	6,921,718	1,404,248	6,921,718
NON-CURRENT LIABILITIES					
Payables	10	3,980,742	-	1,990,371	-
Provision for share based payment	11	286,268	221,295	286,268	221,295
Deferred tax liabilities	12	13,938,933	3,846,052	1,261,796	3,260,144
TOTAL NON-CURRENT LIABILITIES		18,205,943	4,067,347	3,538,435	3,481,439
TOTAL LIABILITIES		19,689,828	10,989,065	4,942,683	10,403,157
NET ASSETS		67,371,252	27,799,675	65,304,518	26,432,559
EQUITY					
Contributed equity	13	46,731,156	4,219,918	46,801,656	4,219,918
Reserves		2,101,352	4,210,774	1,583,796	3,123,107
Retained earnings		18,538,744	19,368,983	16,919,066	19,089,534
TOTAL EQUITY		67,371,252	27,799,675	65,304,518	26,432,559

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2009

	Issued Capital $	Asset Revaluation Reserve $	Option Reserve $	Retained Earnings $	Total Equity $
CONSOLIDATED					
At 1 July 2008	4,219,918	4,109,112	101,662	19,368,983	27,799,675
Options issued	1,800	-	-	-	1,800
Shares issued	42,581,688	-	-	-	42,581,688
Cost of issues	(72,250)	-	-	-	(72,250)
Loss on revaluation of financial assets at fair value	-	(3,186,153)	-	-	(3,186,153)
Tax on items taken directly to equity	-	955,846	-	-	955,842
Fair value of share options granted	-	-	120,885	-	120,885
Net income recognised directly in equity	42,511,238	(2,230,307)	120,885	-	40,401,816
Loss for the period	-	-	-	(830,239)	(830,239)
Total recognised income and expense for the period	42,511,238	(2,230,307)	120,885	(830,239)	39,571,577
At 30 June 2009	46,731,156	1,878,805	222,547	18,538,744	67,371,252
At 1 July 2007	3,956,700	5,250,233	-	1,503,237	10,710,170
Options exercised	263,218	-	-	-	263,218
Investments disposed – revalued amount	-	(2,488,573)	-	-	(2,488,573)
Gain on revaluation of financial assets at fair value	-	1,924,931	-	-	1,924,931
Tax on items taken directly to equity	-	(577,479)	-	-	(577,479)
Fair value of share options granted	-	-	101,662	-	101,662
Net income recognised directly in equity	263,218	(1,141,121)	101,662	-	(776,241)
Profit for the period	-	-	-	17,865,746	17,865,746
Total recognised income and expense for the period	263,218	(1,141,121)	101,662	17,865,746	17,089,505
At 30 June 2008	4,219,918	4,109,112	101,662	19,368,983	27,799,675

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 JUNE 2009

	Issued Capital $	Asset Revaluation Reserve $	Option Reserve $	Retained Earnings $	Total Equity $
COMPANY					
At 1 July 2008	4,219,918	3,021,445	101,662	19,089,534	26,432,559
Options issued	1,800	-	-	-	1,800
Shares issued	42,652,188	-	-	-	42,652,188
Cost of issue	(72,250)	-	-	-	(72,250)
Loss on revaluation of financial assets at fair value	-	(2,371,708)	-	-	(2,371,708)
Tax on items taken directly to equity	-	711,512	-	-	711,512
Fair value of share options granted	-	-	120,885	-	120,885
Net income recognised directly in equity	42,581,738	(1,660,196)	120,885	-	41,042,427
Profit for the period	-	-	-	(2,170,468)	(2,170,468)
Total recognised income and expense for the period	42,581,738	(1,660,196)	120,885	(2,170,468)	38,871,959
At 30 June 2009	46,801,656	1,361,249	222,547	16,919,066	65,304,518
At 1 July 2007	3,956,700	4,592,229	-	1,223,788	9,772,717
Options exercised	263,218	-	-	-	263,218
Investments disposed – revalued amount	-	(2,488,573)	-	-	(2,488,573)
Gain on revaluation of financial assets at fair value	-	1,311,126	-	-	1,311,126
Tax on items taken directly to equity	-	(393,337)	-	-	(393,337)
Fair value of share options granted	-	-	101,662	-	101,662
Net income recognised directly in equity	263,218	(1,570,784)	101,662	-	(1,205,904)
Profit for the period	-	-	-	17,865,746	17,865,746
Total recognised income and expense for the period	263,218	(1,570,784)	101,662	17,865,745	16,659,842
At 30 June 2008	4,219,918	3,021,445	101,662	19,089,534	26,432,559

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

CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2009

		Consolidated		The Company	
		2009	**2008**	**2009**	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES					
Proceeds from sale of tenement		-	22,768,315	-	22,768,315
Interest received		1,136,970	816,022	1,011,642	816,022
Payments to suppliers - exploration		(1,354,782)	(878,796)	(1,317,896)	(878,796)
Payments to suppliers - other		(453,240	(628,422)	(451,426)	(628,421)
Payments of income tax		(6,162,022)	(20,482)	(6,162,022)	(20,482)
Net cash (outlflow)/inflow from operating activities(i)		(6,833,074)	22,056,637	(6,919,702)	22,056,638
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash from acquired subsidiaries(ii)		16,901,826	-	-	-
Proceeds from sale of investments		-	2,889,616	-	2,889,616
Acquisition of investments		(2,884,486)	(4,874,714)	(1,748,486)	(4,874,714)
Loans to related parties		-	-	(14,995)	-
Net cash inflow/(outflows) from investing activities		14,017,340	(1,985,098)	(1,763,481)	(1,985,098)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from options exercised		1,800	263,218	1,800	263,218
Proceeds for allotment of shares	(Note 22)	1,033,498	-	1,033,498	-
Cost of share issue		(72,250)	-	(72,250)	-
Net inflow from financing activities		963,048	263,218	963,048	263,218
Net increase in cash and cash equivalents		8,147,314	20,334,757	(7,720,135)	20,334,758
Exchange gains / (losses)		16,783	(12,385)	16,783	(12,385)
Cash and cash equivalents at beginning of the year		23,004,274	2,681,902	23,004,274	2,681,901
CASH AND CASH EQUIVALENTS AT 30 JUNE 2009	(Note 5)	31,168,371	23,004,274	15,300,922	23,004,274
		========	========	========	========

(i) RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH (LOSS) PROFIT AFTER INCOME TAX

	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
(Loss) profit after income tax	(830,239)	17,865,746	(2,170,468)	17,865,746
Non cash items:				
Gain on sale of investments	-	(2,882,154)	-	(2,882,154)
Gain on change in estimated payable	(1,702,960)	-	(851,480)	-
Impairment loss on available for sale investments	2,937,586	-	2,951,586	-
Effect of exchange rate changes on the balances held in foreign currency	(320,413)	(43,003)	171,428	(43,003)
Share based payments expense	185,858	322,957	185,858	322,957
Changes in assets and liabilities:				
Decrease in receivables	308,742	(258,451)	252,271	(258,451)
Increase (decrease) in payables	(340,019)	515,988	(283,865)	515,989
(Decrease) increase in tax liabilities	(6,023,607)	7,769,152	(6,183,896)	7,769,152
Increase in exploration and evaluation assets	(1,048,022)	(1,233,598)	(991,136)	(1,233,598)
Net Cash inflow/(outflow) from Operating Activities	(6,833,074)	22,056,637	(6,919,702)	22,056,638
	========	========	========	========

(ii) The business combination of Strata Resources N.L. as disclosed in note 19 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 JUNE 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 June 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 19 August, 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 at fair value.

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

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. Associates are accounted for in the parent entity financial statements at cost and the consolidated financial statements using the equity method of accounting.

(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.

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign Currency Translation

The functional and presentation currency of Octanex NL and its Australian subsidiaries is Australian dollars (A$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

(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.

Impairment losses are measured as the difference between the investment's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment and other financial assets (continued)

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.

The fair value of quoted investments are determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(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.

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration

(j) Impairment
At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount.

(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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Exploration and evaluation assets are only recognised if the rights to tenure 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 alternatively, by its sale or partial sale: 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 assets 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 14). 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.

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 10 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. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sale of interest in exploration permits and available for sale investments
Revenue from sale of interest in exploration permits and available for sale investments is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when the exploration permit title or the investment instrument have been delivered to the customer.

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 11 and Note 13.

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 consultant 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Business combinations (continued)

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 may be used for financial asset and liability measurement as well as for sundry disclosures.

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

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.

(r) Borrowing Costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

(s) Earnings per Share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to members of Octanex by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share
Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

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 June 2009. They have not been adopted in preparing the financial report for the year ended 30 June 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. 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. There will also be a number of additional/amended disclosures.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 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 (issued July 2008) 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	Only changes to AASB 101, AASB 128 and AASB 136 are likely to impact this entity. AASB 101 Initial adoption of this amendment will have no impact on the entity as the entity does not enter into any long term derivative relationships. AASB 128 There will be no financial impact when these amendments are first adopted because these amendments relate to additional disclosure requirements only. AASB 136 There will be no financial impact when these amendments are first adopted because these amendments relate to additional disclosure requirements only.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 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 [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 2008) AASB 2008-8 AASB 2008-10	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 JUNE 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	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. 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. Specific changes in respect of step acquisitions and sell downs may introduce situations whereby adopting the revised standard may improve profitability. 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 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 2009-2 (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.
AASB 107	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 JUNE 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 136	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.
AASB 123 (revised Jun 2007)	Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	Periods commencing on or after 1 January 2009	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.
AASB 2008-1 (issued February 2008)	Amendments to AASB 2 – Share-based Payments – Vesting Conditions and Cancellations	The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share-based payment expense and are treated in a manner similar to market conditions.	Periods commencing on or after 1 January 2009	To date the entity has not issued any options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

		Consolidated		The Company	
	NOTE	2009	2008	2009	2008

NOTE 2 INCOME

	NOTE	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Interest received on cash balances		1,115,108	867,117	981,660	867,117
Net foreign exchange gain		356,496	-	-	-
Gain in change on estimated payable	10	1,702,960	-	851,480	-
Profit on sale of exploration tenement		-	22,846,117	-	22,846,117
Profit on sale of available for sale investments		-	2,882,154	-	2,882,154
Total income		3,174,564	26,595,388	1,833,140	26,595,388

NOTE 3 EXPENSES

	NOTE	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Administration		209,657	197,222	205,990	197,222
Audit fees	20	96,767	28,750	85,267	28,750
Brokerage		10,732	52,819	9,916	52,819
Consulting		167,864	36,735	166,073	36,735
Directors’ remuneration		65,400	87,200	65,400	87,200
Exploration		11,902	4,038	17,326	4,038
Legal Fees		32,034	-	32,883	-
Reporting, registry and stock exchange		63,540	27,769	62,205	27,769
Relocation costs		18,750	-	18,750	-
Office expenses		39,674	51,366	39,674	51,366
Other expenses		49,787	27,970	49,311	27,970
Foreign exchange losses		-	158,570	135,242	158,570
Share based payments: fair value of					
- phantom shares	11	64,973	221,295	64,973	221,295
- options at grant date	13	120,885	101,662	120,885	101,662
Gain of forward exchange contract		-	(55,388)	-	(55,388)
Impairment loss on available for sale investments		4,196,551	-	4,216,551	-
Total expenses		5,148,516	940,008	5,290,446	940,008

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 4 INCOME TAX

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Components of income tax benefit (expense)				
Current tax benefit/ (expense)				
Current period	-	(6,162,024)	-	(6,162,024)
Adjustment for prior period	2	12,735	2	12,735
Deferred tax expense				
Origination and reversal of temporary differences	1,143,711	(1,640,345)	1,286,836	(1,640,345)
Total	1,143,713	(7,789,634)	1,286,838	(7,789,634)

Reconciliation between tax benefit (expense) and pre-tax (loss) profit

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
(Loss) profit before tax	(1,973,952)	25,655,380	(3,457,306)	25,655,380
Income tax using statutory income tax rate of 30%	592,186	(7,696,614)	1,037,192	(7,696,614)
Tax effect of adjustment recognised in the period for:				
Prospectus costs	10,390	14,758	7,991	14,758
Other deductible expenses for tax	89,592	-	44,796	-
Current tax of prior periods	2	12,735	2	12,735
Non deductible foreign exchange loss	(7,057)	(90,276)	(7,057)	(90,276)
Non-assessable income	510,888	-	255,444	
Other non–deductible expenses	(52,288)	(30,237)	(51,530)	(30,237)
Income tax benefit (expense)	1,143,713	(7,789,634)	1,286,838	(7,789,634)

NOTE 5 CASH AND CASH EQUIVALENTS

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Cash at bank and on hand	1,333,762	15,454,042	1,258,629	15,454,042
Bank deposits at call	29,834,609	7,550,232	14,042,293	7,550,232
	31,168,371	23,004,274	15,300,922	23,004,274

Cash and cash equivalents are subject to interest rate risk as they earn floating rates. In the year to 30 June 2009 the average floating rate for the consolidated entity and the company was 3.1% (2008: 3.43%) and 2.9% (2008: 3.43%) respectively. Details of interest rate risk and sensitivity can be found in Note 18. Bank deposits at call have an average maturity for the consolidated entity of 48 days (2008: 48 days) and for the company of 49 days (2008: 48 days).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

	NOTE	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
NOTE 6 TRADE AND OTHER RECEIVABLES					
Director-related entity	17	-	20,000	-	20,000
Receivable from subsidiaries		-	-	14,995	-
Other		74,489	285,060	52,789	285,060
		74,489	305,060	67,784	305,060
		=======	=======	=======	=======

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 FORWARD EXCHANGE CONTRACT (CURRENT)

	NOTE	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Derivative Financial Instrument					
Forward currency contract – held for trading (net)		-	55,388	-	55,388
		=======	=======	=======	=======

The company entered into a forward currency contract in June 2008 to trade in and profit from a short-term movement in the US dollar exchange rate. The fair value of the contract was calculated by comparing the contracted rate to a market rate for a contract with similar length to maturity. For derivatives that do not qualify for hedge accounting any gains or losses arsing from changes in fair value are taken directly to net profit or loss for the year.

Details of the contract were:

Sell US$/Buy Australian$: US$13,750,000 on 27th June 2008 for maturity at 1st July 2008 at a forward exchange rate of 0.9597. The contract has been measured at fair value by comparing the contracted market rate to the market rate for a contract with the same length to maturity. The movement in fair value was recognised in the profit or loss in the period it occurred. The unrealised gain at 30 June 2008 on the contract was $55,388.

Details of foreign exchange risk and sensitivities can be found in Note 18.

NOTE 8 OTHER FINANCIAL ASSETS (NON-CURRENT)

	NOTE	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Available for sale investments at fair value					
Investment in director-related listed equities	8(a)	5,443,034	8,329,532	3,712,900	5,818,500
Investment in other listed equities		3,269,569	4,771,818	1,932,569	4,771,818
	8(b)	8,712,603	13,101,350	5,645,469	10,590,318
At cost:					
Investment in controlled entity	8(c)	-	-	558,007	558,007
Shares in controlled entities	8(d)	1	-	42,652,190	1
Shares in associate	8(e)	-	1	-	1
		8,712,604	13,101,351	48,855,666	11,148,327
		=======	=======	=======	=======

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 8 OTHER FINANCIAL ASSETS (NON-CURRENT) (Continued)

(a) Director-related Entities:				
Cue Energy Resources Ltd				
Principal activity is oil and gas exploration and production. (Note 22)	5,275,120	8,185,532	3,656,900	5,674,500
Moby Oil & Gas Limited				
Principal activity is oil and gas exploration	55,914	-	-	-
Bass Strait Oil Co Ltd				
Principal activity is oil and gas exploration	112,000	144,000	56,000	144,000
	5,443,034	8,329,532	3,712,900	5,818,500
	=======	=======	=======	=======
(b) Reconciliation of the carrying amount of Available for sale investments				
Balance at beginning of year	13,101,350	9,759,188	10,590,318	7,861,964
Net revaluation (decrement) increment	(7,241,704)	(1,630,169)	(6,588,257)	(2,243,977)
Acquisitions during the year	2,779,408	4,979,793	1,643,408	4,979,793
Disposals during the year	-	(7,462)	-	(7,462)
Acquisitions from controlled entity (Note 19)*	73,549	-	-	-
	8,712,603	13,101,350	5,645,469	10,590,318
	=======	=======	=======	=======

* Strata Resources Pty Ltd 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 June 2009.

Details of market price risk and sensitivity can be found in Note 18.

(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 June 2009 was $1,618,220 (2008: $2,511,032).

(d) Shares in Controlled Entities

		Consolidated		**The Company**	
	NOTE	**2009**	**2008**	**2009**	**2008**
Octanex Operations Pty Ltd		-	-	1	1
United Oil & Gas Pty Ltd	8(e)	1	-	1	-
Strata Resources Pty Ltd	19	-	-	27,670,562	-
Exmouth Exploration Pty Ltd	19	-	-	14,981,626	-
		1	-	42,652,190	1
		=======	=======	=======	=======

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 Pty Ltd was acquired 20 March 2009 (Note 19). 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 $1,340,229 to the consolidated net profit for the year.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 8 OTHER FINANCIAL ASSETS (NON-CURRENT) (Continued)

Exmouth Exploration Pty Ltd was acquired 20 March 2009 (Note 19). 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 15) and did not contribute to the consolidated profit for the year. On the 27th 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 14.

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:

	Current assets $	Non-Current assets $	Total assets $	Current Liabilities $	Non-Current Liabilities $	Total Liabilities $	Revenue $	Expenses $	Profit (Loss) $
2009	814	-	814	-	-	-	1,206	136	1,070
2008	128	-	128	384	-	384	11,157	6,308	4,849

(e) Shares in associate
At 30 June 2008 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 8(d).

	NOTE	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
NOTE 9 EXPLORATION AND EVALUATION ASSETS					
Carrying amount at beginning of year		2,322,667	1,089,069	2,322,667	1,089,069
Acquisition of controlled entities	19	40,887,708	-	-	-
Costs attributable to interest sold		-	(77,802)	-	(77,802)
Cost incurred during the year		3,895,241	1,311,400	3,700,162	1,311,400
Carrying amount at end of year		47,105,616	2,322,667	6,022,829	2,322,667

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. (2008: WA-323-P, WA-330-P, WA-362-P, WA-363-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.

The group also retains residual and royalty interests in three permits sold in 2008; WA-384-P, WA-385-P and WA-394-P.

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

		Consolidated		The Company	
		2009	**2008**	**2009**	**2008**

NOTE 10 TRADE AND OTHER PAYABLES

Financial liabilities at amortised cost

Current					
Trade creditors and accruals		227,275	526,655	217,864	526,655
Other payables on share allotment	22	1,033,498	-	1,033,498	-
Director-related entity other payables	17	223,112	233,039	152,886	233,039
		1,483,885	759,694	1,404,248	759,694

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 18.

Non-Current				
Other payable	3,980,742	-	1,990,371	-

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 $9,814,763 for the consolidated entity and $4,907,381 for the company. After adjustments for the discounting of the cash flows arising on the payable the liability is reduced to $3,980,742 for the consolidated entity and $1,990,371 for the company. Payment of this liability is assumed to occur in three parts: 40% payable in June 2011, 25% in September 2014 and the balance payable in June 2020 per the terms of the contract. The payable has been discounted using a pre-tax rate of 21%. Details of liquidity risk are found in Note 18.

Change in Estimate
The timing of the payments to Geokinetics (Australia) Pty Ltd changed significantly as at 30 June 2009 due to the expectation at balance date that a well will not be drilled in the relevant exploration permits until 2014. This has given rise to a reduction in the estimated payable as at 30 June 2009 of $1,334,384 for the consolidated entity and $667,192 for the company. Further the pre-tax discount rate used to discount future cash outflows arising from the payable have increased from 19% to 21% which also reduced the payable by a further $368,576 for the consolidated and $184,288 for the company. The combined impact for the change in estimates was recorded as revenue for the year ended 30 June 2009; $1,702,970 for the consolidated entity and $851,480 for the company.

NOTE 11 PROVISION FOR SHARE BASED PAYMENTS

Phantom Shares	286,268	221,295	286,268	221,295

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 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. Upstream Consulting Pty Ltd is owned by JDM Willis. He was appointed as Director on 18 August 2009.

Tranche	Initial Price	Exercise Date
1. 750,000	$0.40	30 June 2010
2. 750,000	$0.40	30 June 2011
3. 750,000	$0.40	30 June 2012
4. 750,000	$0.40	30 June 2013

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 11 PROVISION FOR SHARE BASED PAYMENTS (Continued)

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 extant 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	$0.2424	30 June 2010
2. 825,000	$0.4700	30 June 2011
3. 825,000	$0.4700	30 June 2012
4. 825,000	$0.4700	30 June 2013

	2009 Phantom Shares	**2008 Phantom Shares**
Phantom Shares		
Balance at beginning of year	3,750,000	-
Shares granted 31 July 2008	-	3,750,000
Shares granted 17 March 2009	3,475,000	-
Shares sold	(500,000)	-
Shares lapsed	(750,000)	-
Balance at end of year	5,975,000	3,750,000
	=======	=======

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

Effective Share price:	38 cents
Share price at grant date:	22 cents
Maximum share life	4 years
Expected volatility	75%
Risk free interest rate	3.6% - average across four tranches

Expected volatility was based on the standard deviation for a group of 11 similar companies of 21.56, which represents a volatility factor of 74.68% - say 75%. 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 credit adjustment of $2,240 and liability of $219,057 has been recognised in the year ended 30 June 2009.

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

Effective Share price:	38 cents
Share price at grant date:	28 cents
Maximum share life	4 years
Expected volatility	75%
Risk free interest rate	3.6% - average across four tranches

Expected volatility was based on the standard deviation for a group of 11 similar companies of 21.56, which represents a volatility factor of 74.68% - say 75%. The fair value of this share based payment at balance date was $523,913. Based on the expired portion of the vesting period at balance date from this fair value a share based payment expense and liability of $67,213 has been recognised in the year ended 30 June 2009

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2009

NOTE 12 DEFERRED TAX LIABILITIES

	Deferred Tax Assets		Deferred Tax Liabilities		Net Deferred Tax	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Consolidated						
Investment revaluations	(407,313)	-	-	1,880,812	(407,313)	1,880,812
Exploration costs	-	-	14,764,127	2,021,337	14,764,127	2,021,337
Interest receivable	-	-	6,560	13,888	6,560	13,888
Accrued expenses	(7,200)	(3,596)	-	-	(7,200)	(3,596)
Unrealised foreign exchange loss	(97,985)	-	-	-	(97,985)	-
Mining deduction	(133,080)	-	-	-	(133,080)	-
Provisions	(85,880)	(66,389)	-	-	(85,880)	(66,389)
Carried forward tax losses	(100,296)	-	-	-	(100,296)	
	(831,754)	(69,985)	14,770,687	3,916,037	13,938,933	3,846,052

	Opening Balance At 1 July 2008 $	Charged/ credited) to Income Statement $	Charged/ (credited) directly to Equity $	Acquired through business combination (Note 19) $	Closing Balance at June 2009 $
Consolidated					
Investment revaluations	1,880,812	(1,332,279)	(955,846)	-	(407,313)
Exploration costs	2,021,337	573,515	-	12,169,275	14,764,127
Interest receivable	13,888	(7,328)	-	-	6,560
Accrued expenses	(3,596)	(3,604)	-	-	(7,200)
Unrealised foreign exchange loss	-	(97,985)	-	-	(97,985)
Mining deduction	-	(133,080)	-	-	(133,080)
Provision	(66,389)	(19,491)	-	-	(85,880)
Carried forward tax losses	-	(100,296)	-	-	(100,296)
	3,846,052	(1,120,548)	(955,846)	12,169,275	13,938,933

	Opening Balance At 1 July 2007 $	Opening Balance at 1 July 2008 $ $	Charged/ (credited) to Income Statement $ $	Acquired through business combination (Note 19) $ $	Closing Balance at June 2008 $ $
Consolidated					
Investment revaluations	2,369,863	-	(489,051)	-	1,880,812
Exploration costs	326,721	1,694,616	-	-	2,021,337
Interest receivable	3,274	10,614	-	-	13,888
Accrued expenses	(5,100)	1,504	-	-	(3,596)
Provisions	-	(66,389)	-	-	(66,389)
	2,694,758	1,640,345	(489,051)	, -	3,846,052

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 12 DEFERRED TAX LIABILITIES (Continued)

	Deferred Tax Assets		Deferred Tax Liabilities		Net Deferred Tax	
	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$
Company						
Investment revaluations	(681,573)	-	-	1,294,904	(681,573)	1,294,904
Exploration costs	-	-	2,123,893	2,021,337	2,123,893	2,021,337
Interest receivable	-	-	4,124	13,888	4,124	13,888
Accrued expenses	(7,200)	(3,596)	-	-	(7,200)	(3,596)
Provisions	(85,880)	(66,389)	-	-	(85,880)	(66,389)
Carried forward tax losses	(91,568)	-	-	-	(91,568)	-
	(866,221)	(69,985)	2,128,017	3,330,129	1,261,796	3,260,144

	Opening Balance at 1July 2008	Charged/ (credited) to Income Statement	Charged/ (credited) directly to Equity	Closing Balance at June 2009
	$	$	$	$
Company				
Investment revaluations	1,294,904	(1,264,965)	(711,512)	(681,573)
Exploration costs	2,021,337	102,556	-	2,123,893
Interest receivable	13,888	(9,764)	-	4,124
Accrued expenses	(3,596)	(3,604)	-	(7,200)
Provision	(66,389)	(19,491)	-	(85,880)
Carried forward tax losses	-	(91,568)	-	(91,568)
	3,260,144	(1,286,836)	(711,512)	1,261,796

	Opening Balance at 1July 2007	Charged/ (credited) to Income Statement	Charged/ (credited) directly to Equity	Closing Balance at June 2008
Company				
Investment revaluations	1,968,099	-	(673,195)	1,294,904
Exploration costs	326,721	1,694,616	-	2,021,337
Interest receivable	3,274	10,614	-	13,888
Accrued expenses	(5,100)	1,504	-	(3,596)
Provisions	-	(66,389)	-	(66,389)
	2,292,994	1,640,345	(673,195)	3,260,144

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 CONTRIBUTED EQUITY

			Consolidated		The Company	
	2009 Shares	2008 Shares	2009 $	2008 $	2009 $	2008 $
Issued Capital						
Ordinary shares fully paid(a)	138,360,494	50,556,837	46,731,156	4,219,918	46,801,656	4,219,918
Ordinary shares issued pursuant to trustee stock scheme(b)	33,000,000	-	-	-	-	-
Balance at end of year	171,360,494	50,556,837	46,731,156	4,219,918	46,801,656	4,219,918
(a) Ordinary Shares Fully Paid						
Movements during the year						
Balance at beginning of year	50,556,837	49,653,967	4,219,918	3,956,700	4,219,918	3,956,700
Options issued to correct trading error	-	-	1,800	-	1,800	-
Shares issued						
- Options dated 30 June 2008 exercised	-	902,870	-	263,218	-	263,218
- Issued to acquired subsidiaries (i)	87,803,657	-	42,581,688	-	42,652,188	-
- Cost of issue	-	-	(72,250)	-	(72,250)	-
Balance at end of year	138,360,494	50,556,837	46,731,156	4,219,918	46,801,656	4,219,918

(i) Acquisition of Strata Resources Pty Ltd and Exmouth Exploration Pty Ltd (Note 19). Strata Resources Pty Ltd holds 705,000 ordinary shares in it parent company, Octanex NL, at a cost of $70,500, which is eliminated out of the consolidated entity.

(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	-	-	-	-	-
Balance at end of year	33,000,000	-	-	-	-	-

(ii) Acquisition of Strata Resources Pty Ltd (Note 19)

The company has unlimited authorised capital with no par value.

Per the terms of the Offer Information Statement dated 10 June 2009 the allotment of the 5,000,000 fully paid 20 cent ordinary shares and accompanying 5,000,000 free 31 December 2010 options was completed on 10 July 2009 (Note 22).

(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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 13 CONTRIBUTED EQUITY (Continued)

(ii) Trustee Stock Scheme
As a result of the business combination detailed in note 19, 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. On 29 May 2009 the company further offered the right to extend the exercise date to 31 December 2010

Further to the extension of the options expiry date, the following terms have been offered to option holders;

As an alternative to payment of the exercise price in full on or before the extended expiry date; the right to exercise their options on the extended expiry date by the payment of 5 cents per option on exercise, with the balance 20 cents per option that remains outstanding to be paid in two calls of 10 cents each such that:
(a) the first call is paid by 31 December 2011; and
(b) the second call is paid by 31 December 2012.

31 December 2010 Listed Options – exercisable at 25 cent

	2009 Options	**2008 Options**
Balance at beginning of year	28,854,710	30,244,296
Options expired (i)	(945,728)	(1,236,716)
Options exercised	(67,610)	(152,870)
Options issued 10 July 2008	60,000	-
Balance at end of year	27,901,372	28,854,710

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

Per the terms of the Offer Information Statement dated 10 June 2009 the allotment of the 5,000,000 fully paid 20 cent ordinary shares and accompanying 5,000,000 free 31 December 2010 options was completed on 10 July 2009 (Note 22).

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. Upstream Consulting Pty Ltd is owned by JDM Willis. He was appointed as Director on 18 August 2009.

Tranche/options	Exercise Price	Exercisable on or before
1. 750,000	$0.50	30 June 2010
2. 750,000	$0.60	30 June 2011
3. 750,000	$0.70	30 June 2012

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 CONTRIBUTED EQUITY (Continued)

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 11. The following additional extant options over ordinary fully paid shares in Octanex were granted to Upstream.

Tranche/options	Exercise Price	Exercisable on or before
1. 500,000	$0.3030	30 June 2010
2. 500,000	$0.3636	30 June 2011
3. 500,000	$0.4242	30 June 2012

	2009 Options	2008 Options
Unlisted Options		
Balance at beginning of year	3,000,000	-
Options granted	2,000,000	3,750,000
Options exercised	-	(750,000)
Options expired	(1,250,000)	-
Balance at end of year	3,750,000	3,000,000

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 $53,289 has been recognised in the year ended 30 June 2009.

The options granted 17 March 2009 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 $67,596 has been recognised in the year ended 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**

NOTE 14 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	375,000	1,795,780	187,500	1,795,780
Payable later than one year but not later than three years	3,960,000	2,856,720	1,980,000	2,856,720
	4,335,000	4,652,500	2,167,500	4,652,500
	=======	=======	=======	=======

NOTE 15 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 it's contributions to the joint ventures. Expenditure commitments in respect of the joint ventures are disclosed in Note 14. The consolidated entity's interests in the joint ventures:

Joint Venture	2009 Interest	2008 Interest	Permits Held
Dampier Project (1)	100%	50%	WA-323-P & WA-330-P
Northern Deeps	40%	14%	WA-362-P & WA-363-P
Exmouth(1)	100%	50%	WA-322-P, WA-329-P
Outer Exmouth	40%	-	WA-386-P and WA-387-P
Western Otway	30%	15%	EPP34

(1) The 100% interest is held 50% by Octanex NL and 50% Strata Resources Pty Ltd. The interest is still held through a joint venture arrangement by between both companies despite Strata being fully owned by Octanex.

The group also retains residual and royalty interests in three permits sold during in 2008; WA-384-P, WA-385-P and WA-394-P.

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

		Consolidated		The Company	
	NOTE	**2009**	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
CURRENT ASSETS					
Cash and cash equivalents		54,644	156,499	27,322	156,499
Receivables	6	21,534	44,494	10,300	44,494
Receivables –director-related entity	6, 17	-	20,000	-	20,000
NON-CURRENT ASSETS					
Exploration and evaluation assets	9	45,834,426	2,322,667	5,387,234	2,322,667
CURRENT LIABILITIES					
Payables	10	9,851	285,729	4,926	285,729
Payables – director-related entity	10, 17	66,280	213,736	33,140	213,736

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

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 16 KEY MANAGEMENT PERSONNEL

Non-executive Directors
PJ Albers – retired 18 August 2009
GA Menzies

Executive Director
EG Albers
Company Secretary
JG Tuohy

JMD Willis was appointed as Director on 18 August 2009 to replace PJ 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 Fees	*Other Fees*	*Salary*	*Superannuation*	*Retirement Benefit*	
		$	*$*	*$*	*$*	*$*	*$*
TOTAL	**2009**	**-**	**79,275**	**-**	**51,400**	**-**	**130,675**
	2008	27,500	-	-	64,725	-	92,225

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.

JG Tuohy holds no shares or options in Octanex NL (2008: Nil)

Interests in shares

	Balance	Received as Remuneration	Options Exercised	Net Change Other(1)	Balance
	01/07/2008				**30/06/2009**
EG Albers *****	29,802,900	-	-	79,999,276	109,802,176
PJ Albers*****(2)	27,476,941	-	-	45,964,086	73,441,027
GA Menzies	-	-	-	-	-
	01/07/2007				**30/06/2008**
EG Albers *****	29,644,865	-	-	158,035	29,802,900
PJ Albers*****	23,310,426	-	-	4,166,515	27,476,941
GA Menzies	-	-	-	-	-

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

For the year ended 30 June 2009	25,794,441	-	-	44,584,086	70,378,527
For the year ended 30 June 2008	22,797,926	-	-	2,996,515	25,794,441

(1) 2009 change: issued as part of the acquisition of Strata Resources Pty Ltd (Note 19)
(2) PJ Albers retired as a Director on 18 August 2009 and was replaced by JMD Willis. At that date JMD Willis hold shares of 2,120,010 which he acquired through offerings to the public.

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 16 KEY MANAGEMENT PERSONNEL (Continued)

Interests in options (exercisable by 31 December 2010 at 25 cents per share) (1)

	Balance	Received as Remuneration	Options Exercised	Net Change Other	Balance
	01/07/2008				**30/06/2009**
EG Albers*	20,527,490	-	-	(100,000)	20,427,490
PJ Albers*(2)	18,850,970	-	-	781,520	19,632,490
GA Menzies	50,000	-	-	-	50,000
	01/07/2007				**30/06/2008**
EG Albers*	20,527,490	-	-	-	20,527,490
PJ Albers*	18,850,970	-	-	-	18,850,970
GA Menzies	50,000	-	-	-	50,000

***Options in which each director holds an interest jointly:**

For the year ended 30 June 2009	18,850,970	-	-	781,520	19,632,490
For the year ended 30 June 2008	18,850,970	-	-	-	18,850,970

(1) The options had an expiry date of 30 June 2009; on 29 May 2009 the company extended the option exercise date to 31 December 2010 and all directors chose to extend.
(2) PJ Albers retired as a Director on 18 August 2009 and was replaced by JMD Willis. At that date JMD Willis hold options of 500,000 which he acquired through offerings to the public.

NOTE 17 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 8(c)). The wholly owned subsidiaries Strata Resources Pty Ltd and Exmouth Exploration Pty Ltd will be provided with management and administration services. (Note 8(d)).

United Oil & Gas Pty Ltd, of which EG Albers is a director, is owned 50% by the Octanex and 50% by Strata Resources Pty Ltd was until 27th 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 8(d)). In June 2008 United Oil & Gas Pty Ltd was only owned 50% by the consolidated entity and therefore was an associated entity (Note 8(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

On 18 August 2009 JMD Willis was appointed as a Director of the company. Through his company Upstream Consulting Pty Ltd JMD Willis will provide consulting services, in his capacity as a consultant to the company, under normal commercial terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17 RELATED PARTY DISCLOSURES (Continued)

Consolidated	Service Provided	2009 $	2008 $
Capricorn	Management and administration services to the company	240,000	115,000
Capricorn	Management of exploration tenements	123,975	97,931
Exoil	Office services and amenities in Melbourne	42,042	38,781
NGA	Provision of office services and amenities in WA	54,070	39,366
Setright	Accounting, project and company secretarial services	62,030	33,185
Setright	Accounting, project management of joint ventures	3,110	6,524

Company	Service Provided	2009 $	2008 $
Capricorn	Management and administration services to the company	150,000	115,000
Capricorn	Management of exploration tenements	61,987	97,931
Exoil	Office services and amenities in Melbourne	39,482	38,781
NGA	Provision of office services and amenities in WA	27,035	39,366
Setright	Accounting, project and company secretarial services	50,240	33,185
Setright	Accounting, project management of joint ventures	1,555	6,524

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.

(ii) Investments in Director-related Companies
At balance date the economic entity carried investments in ASX listed companies in the petroleum industry (Note 8(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:

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Receivables:				
Exoil Limited	-	20,000	-	20,000
	-	20,000	-	20,000
Payables				
Capricorn Mining Pty Ltd	152,925	29,143	98,963	29,143
Exoil Limited	12,621	166,366	12,621	166,366
National Gas Australia Pty Ltd	31,904	31,062	15,953	31,062
Setright Oil & Gas Pty Ltd	25,662	6,468	25,349	6,468
	223,112	233,039	152,886	233,039

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Financial Assets				
Fair value through profit or loss:				
Held for trading	-	55,388	-	55,388
Loans and receivables (including cash & cash equivalents)	31,168,371	23,024,274	15,300,922	23,024,274
Available-for-sale	8,712,603	13,101,350	5,645,469	10,590,318
	39,880,974	36,181,012	20,946,391	33,669,980
Financial Liabilities at amortised cost				
Trade and other payable	1,483,885	759,694	370,751	759,694
Non current payable	3,980,742	-	1,990,371	-
	5,464,627	759,694	2,361,122	759,694

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. 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.

Recognition and derecognition (continued)
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 $2,102 (2008: $108,192) and $1,576 (2008: $108,192) 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 18 FINANCIAL INSTRUMENTS (Continued)

The following are the contractual maturities of the financial liabilities, including interest payments. Contractual amounts have not been discounted.

	Carrying Amount	Contractual cash flows	0-12 months	1-2 years	2-10 years
	$	$	$	$	$
30 June 2009:					
Consolidated					
Non-derivative Financial Liabilities					
Trade and other payables	1,483,885	450,387	450,387	-	-
Non current payables	3,980,742	9,814,763	-	3,960,384	5,854,379
	5,464,627	10,265,150	450,387	3,960,384	5,854,379
30 June 2008:					
Consolidated					
Non-derivative Financial Liabilities					
Trade and other payables	759,694	759,694	759,694	-	-
Derivatives					
Gross settled (Forward foreign exchange contracts)					
- (inflow)	(14,327,393)	(14,327,393)	(14,327,393)	-	-
- outflow	14,272,005	14,284,230	14,284,230	-	-
	(55,388)	(43,163)	(43,163)	-	-

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 apart from the non-current payable to Geokinetics (Note 10).

Sensitivity Analysis
If the Australian dollar strengthened /weakened by 10% against the US dollar with all other variables held constant, the payable for the consolidated entity would have been A$892,251 lower / A$1,090,529 higher and for the company A$446,126 lower / A$545,265 higher.

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 $8,712,603 (2008: $13,101,350) for the consolidated entity and $5,645,569 (2008: $10,590,318) for the parent entity are subject to movements in prices of the investment markets.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 18 FINANCIAL INSTRUMENTS (Continued

Equity price risks(continued)

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 $871,260 (2008: $1,310,134). For the company, the same change would have increased/decreased equity by $564,567 (2008: $1,059,032). 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 19 ACQUISITION OF CONTROLLED ENTITIES

Acquisition of Strata Resources Pty Ltd
On 20 March 2009, Octanex NL acquired 100% of the voting shares of Strata Resources Pty Ltd ("Strata'), an unlisted public company based in Australia which shares offshore petroleum exploration permits with Octanex. Strata converted to a proprietary company on 28 May 2009.

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 13 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 19 ACQUISITION OF CONTROLLED ENTITIES (Continued)

Acquisition of Strata Resources Pty Ltd (continued)

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

	Fair Value $	Carrying 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
	36,750,443	23,079,042
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
	9,079,881	4,978,461
Net identifiable assets acquired	27,670,562	
Purchase consideration		
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.

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 19 ACQUISITION OF CONTROLLED ENTITIES (continued)

Acquisition of Exmouth Exploration Pty Ltd (continued)

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

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

Acquired business contributions to the group

The two acquired businesses contributed revenue of $774, 864 and a profit $1,340,229 to the Group for the period since acquisition to 30 June 2009. If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated loss for the year ended 30 June 2009 would have been $3,136,255 and $1,011,488 respectively. These amounts have been calculated using the group's accounting policies.

	NOTE	Consolidated 30 June 2009 $	Consolidated 30 June 2008 $	The Company 30 June 2009 $	The Company 30 June 2008 $
NOTE 20 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)		96,767	28,750	85,267	28,750
		96,767	28,750	85,267	28,750

(i) 30 June 2009 includes fees for the one-off audit of the year ended 30 April 2009 required for the Octanex Offer Information Statement issued 10 June 2009.

NOTE 21 SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

NOTE 22 EVENTS SUBSEQUENT TO BALANCE DATE

Cash of $1,033,498 was received during the month of June 2009 for the issue of ordinary shares offered per the Offer Information Statement dated 10 June 2009. On 10 July 2009 the allotment of the 5,000,000 fully paid 20 cent ordinary shares and accompanying 5,000,000 free 31 December 2010 options was completed (Note 10).

On 23 July 2009 Octanex was allocated 5,044,000 Cue Energy Resources Limited ("Cue') ordinary shares from an entitlement issue for a cost of $756,600. On 6 August 2009 there was a further allocation under this entitlement issue of another 2,232,028 ordinary shares for a cost of $334,804. The market value of these shares has increased since acquisition. As at 17th August 2009 the market price of the shares is 23 cents at which the total market value of Octanex's investment in the newly acquired Cue share is $1,673,486. This is $582,082 above the purchase price, the economic effect of which has not been recognised in the Financial Report for the year ended 30 June 2009 (Note 8(a)).

In addition to the increase in value on Cue shares acquired since balance date, a significant increase in market value has occurred on Octanex original holdings of Cue shares at balance date. At 30th June 2009 the 36,380,140 Cue shares held by Octanex had a market value of 14.5 cents per share for a total value of $5,275,120. The shares were purchased at an average price of 5.07 cents for a total cost of $1,844,092. As at 17th August 2009 the market price of the shares is 23 cents at which the total market value of Octanex's investment is $8,367,432. This is $3,092,312 above the market value at balance date and $6,523,340 above the purchase price, the economic effect of which has not been recognised in the Financial Report for the year ended 30 June 2009 (Note 8(a)).

On 30 July 2009 Octanex incorporated a new fully owned unlisted New Zealand company, Octanex NZ Limited, for the purpose of applying for an offshore exploration permit in the Taranaki area of New Zealand. Octanex has 100% of the voting shares of Octanex NX Limited. The company has paid up capital of New Zealand $100 (Australian $80).

	Consolidated	
	2009	**2008**
	$	**$**
NOTE 23 EARNINGS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net (loss) profit	(830,239)	17,865,746
The weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculated basic earnings per share as follows:		
	Number of Shares	**Number of Shares**
Basic (loss) earnings per share	75,093,749	49,653,967
Options expiring 30 June 2010	-	-
Diluted (loss) earnings per share	75,093,749	49,653,967

(i) Options not dilutive

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2009

NOTE 24 CONTINGENT ASSET

On the 19th 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.

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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 June 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 June 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:

(a) the financial report of 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 June 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 17 to 19 of the directors' report for the year ended 30 June 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 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls

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

N Burne

NICHOLAS E. BURNE
Director

Melbourne, dated the 19th day of August 2009.

BDO Kendalls

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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 June 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 19th day of August 2009