

Octanex N.L.

ABN 61 005 632 315

Level 21 500 Collins Street Melbourne Victoria 3000 Australia

Tel: (+61 3) 9629 6100 Fax: (+61 3) 9629 6278 Email: admin@octanex.com.au

QUARTERLY ACTIVITY REPORT TO 30 SEPTEMBER 2009

HIGHLIGHTS FOR THE QUARTER

- Application for listing on ASX
- Issue of Prospectus to support ASX listing application
- Application for Taranaki Basin Permit
- Submission of Winchester data to CGG Canada for processing

Octanex N.L. (NSX Code: OCT) by itself and through its wholly-owned subsidiaries, holds working interests in ten petroleum exploration permits and residual and royalty interests in three 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 moderate to intense exploration activity.

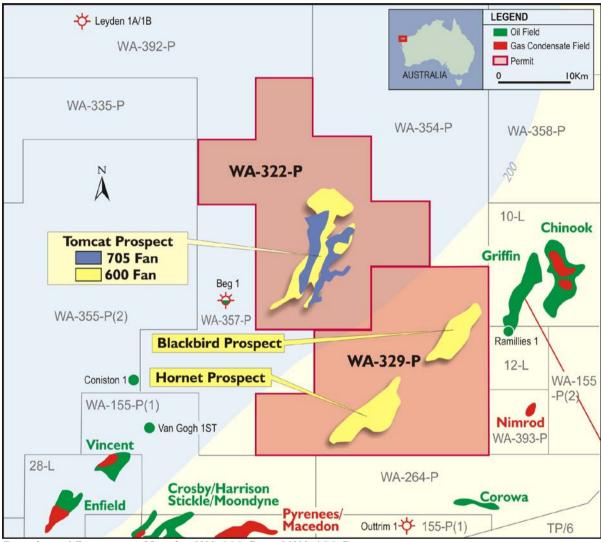
Five of the permits in which direct and residual interests are held by the Octanex Group are located in the Exmouth Sub-basin (WA-322-P, WA-329-P, WA-384-P, WA-385-P and WA-394-P), with a further four permits located on the Exmouth Plateau (WA-362-P, WA-363-P, WA-386-P and WA-387-P). Two of the permits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

We have applied for a new exploration permit in the offshore Taranaki Basin of New Zealand.

References in this report to the Octanex Group are references to Octanex and its wholly-owned subsidiaries. The policy underlying the management of the Octanex Group permits, investments and related 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.

WA-322-P EXMOUTH SUB-BASIN (Octanex Group 100%)

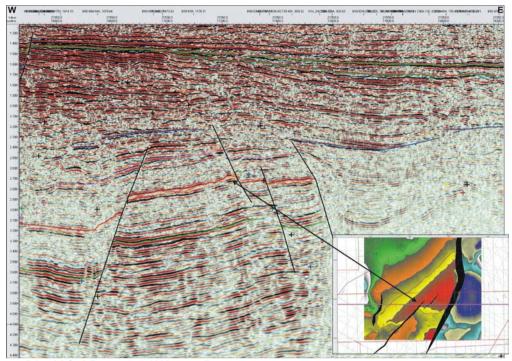
During the quarter under review the data from the Beg-1 well in the adjoining permit became available. Recent interpretation of the data from that well has tended to downgrade the prospectivity of WA-322-P.



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

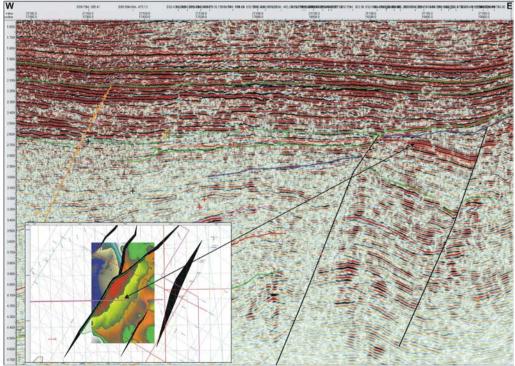
WA-329-P EXMOUTH SUB-BASIN (Octanex Group 100%)

Interpretation of prospectivity within WA-329-P has 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.

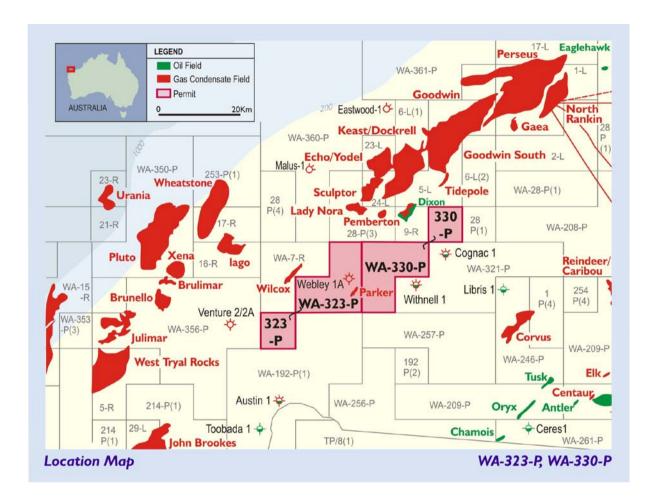


Hornet Prospect WA-329-P

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.

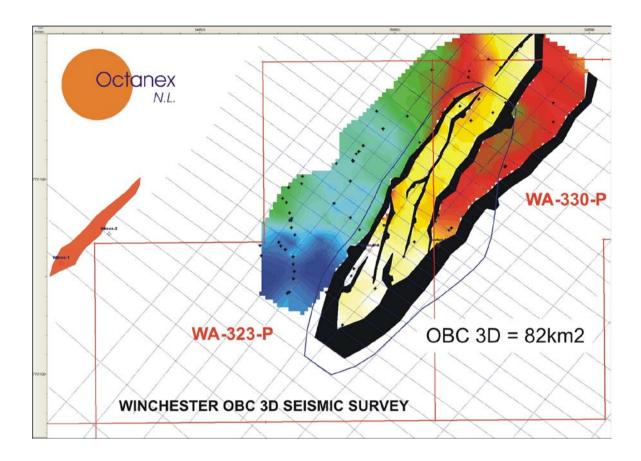
WA-323-P & WA-330-P DAMPIER SUB-BASIN (Octanex Group 100%)

The Dampier Project consists of two contiguous tenements, WA-323-P and WA-330-P, that comprise a discrete project area for exploration of 640 kms².



We have been 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. As advised last year, we acquired an OBC 3D survey in order to better image the deeper formation where the Winchester prospect is located. The initial processing of this data was not of the quality we had hoped for. We made a decision during the quarter to have the data processed again by another international processing house recognised as having particular expertise with this kind of data processing. We await the results with interest.

The OBC 3D survey was acquired in mid 2008 over the Winchester Prospect which straddles both permits. 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 map below).

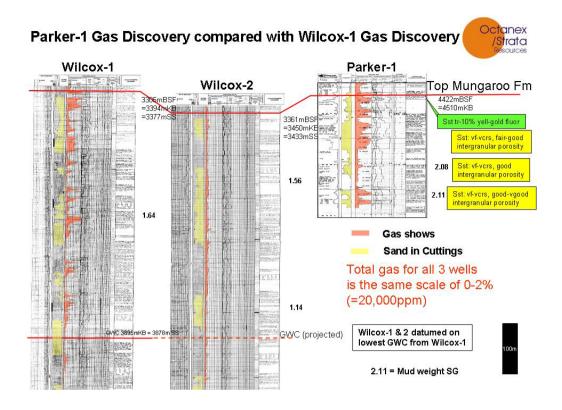


The Parker/Webley horst structure has been identified and is seen as having potential for Triassic and or Early Jurassic structural traps. Our objective from the OBC data is to be able to demonstrate that there is a large and viable structure at Winchester, with potential Triassic Mungaroo reservoirs and with sufficient potential for liquids rich gas to warrant drilling. In the vicinity of Winchester there are two wells and five penetrations, including two side-tracks (Parker-1 & ST1 (1979/80) and Webley-1, ST1 & 1A 1998/9). Octanex believes the Parker Well penetrations in 1979/80 demonstrated a gas discovery in the Triassic. None of the Webley-1 well penetrations were deeper than the upper part of the Early Cretaceous regional seal. Those Webley penetrations were therefore entirely invalid as regards their actual and deeper Jurassic/Triassic targets. The target previously seen by others in the Webley well remains undrilled.

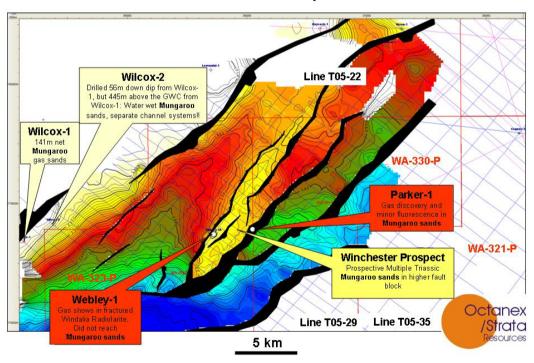
The Parker-1 & ST1 well penetrated thick Middle Jurassic shales in the hanging wall of a fault terrace before crossing the fault into stacked sands in the footwall block. These sands persisted to target depth ("TD") and, although interpreted as Early Jurassic at the time of drilling, they have been subsequently 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.

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



Parker/Webley Horst - Top Triassic TWT Map Winchester Prospect



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 at Winchester, whether that be oil or gas. Significant future demand for gas to supply both domestic demand and the Wheatstone and Pluto LNG developments are anticipated, so 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. There is some encouragement for rich gas liquids, as Wilcox-1 was reported at 66-79 barrels of condensate per million cubic feet of gas.

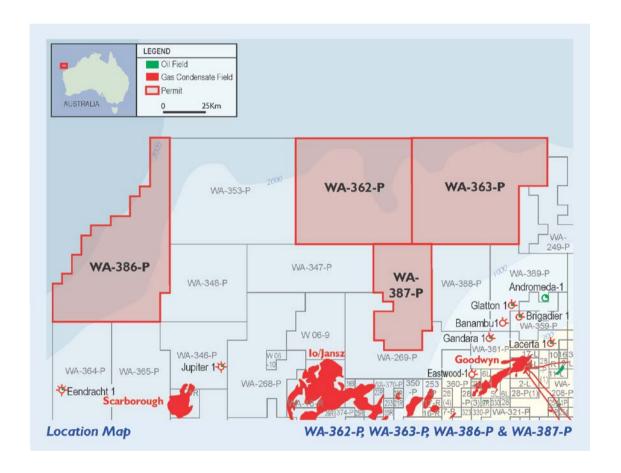
WA-362-P, WA-363-P, WA-386-P and WA-387-P EXMOUTH PLATEAU (Octanex Group 40%)

The Joint Venture for these four permits consists of:

OMV Australia Pty Ltd 30% and Operator

ENI Australia Limited 30% Octanex Group 40%

The Octanex Group holds a 40% interest in each of these four outer Exmouth Plateau permits in a joint venture and subject to a farmin agreement with OMV Australia Pty Ltd ("OMV") and ENI Australia Limited ("ENI"). The permits, which cover an aggregate area of approximately 37,795 kms², are on the northern margin of the Exmouth Plateau, 300-400 kms north-west of the Western Australian coastline. The Exmouth Plateau is the largely unexplored deepwater frontier of the Carnarvon Basin, Australia's largest petroleum basin which includes the giant gas resources of the North West Shelf (Rankin Trend), the Greater Gorgon region and Io/Janz. The map below shows the location of the four permits.



The Operator of the Joint Venture, OMV, continued interpretation of the 7,407 km Klimt 2D seismic survey during the quarter and has conducted detailed assessments of the expected geology across the four permits. A number of large features have been identified which the Operator believes are prospective for large gas accumulations. OMV and ENI must make a decision by 31 December 2009 to drill a well in one of the four permits or re-assign to Octanex all of the 60% interest now held by OMV and ENI.

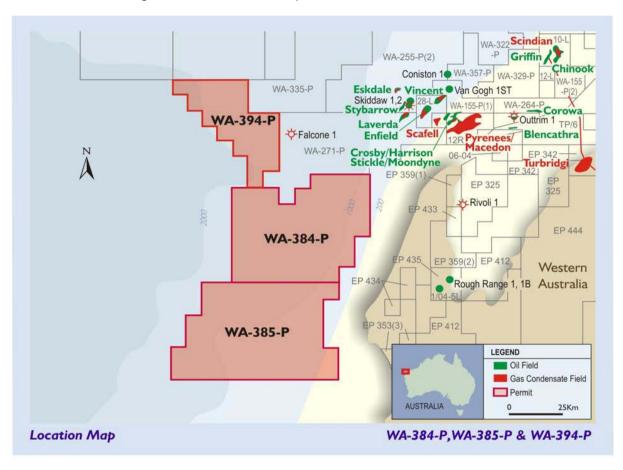
WA-384-P, WA-385-P AND WA-394-P SOUTHERN EXMOUTH SUB-BASIN

These permits are located in the southern Exmouth Sub-basin and the Octanex Group holds interests in them that consist of reversionary and residual interests, not working or participation interests.

The Octanex Group previously concluded an agreement with Shell Development (Australia) Pty Ltd (Shell) for the disposition to Shell of a 100% working interest in each of WA-384-P, WA-385-P and WA-394-P. The Octanex Group holds residual rights in each of the permits in the form of discovery payments and royalties, as well as rights of reconveyance.

Shell has commenced seismic operations over the permits and has concluded the Guacamole 2D seismic survey.

In respect of WA-384-P and WA-385-P, Shell must, on or before 21 August 2010, commit to drill a well in each or re-assign a 100% interest in that permit to Octanex.



EPP 34 OTWAY BASIN (Octanex Group 30%)

The EPP 34 Joint Venture consists of:

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

Processing of the Trocopa seismic survey of 1,100 km of new 2D data has been completed, as was reprocessing of old data. Interpretation is underway and has focused on the northern shelfal section of the block, targeting the Early Cretaceous Pretty Hill Sandstone.



VIC/P61 OTWAY BASIN (Octanex Group 20% earning pursuant to farmin)

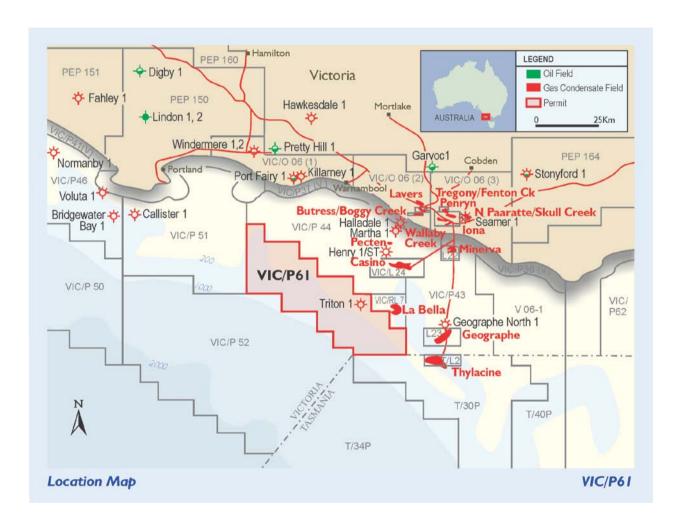
The Vic/P61 Joint Venture consists of:

Exoil Limited 30% and Operator

Gascorp Australia Pty Ltd 30%

Moby Oil & Gas Limited 20% earning pursuant to farmin Octanex Group 20% earning pursuant to farmin

The Joint Venture has initiated discussions with the authorities with a view to relinquishing the permit. No further reference will be made to it in future Quarterly Reports.



APPLICATION 51906 - TARANAKI BASIN (Octanex Group 100%)

During the quarter we made application for an offshore petroleum exploration permit in respect to the area in the figure below.

The application area is in proximity to the Maui gas/oil fields, the Tui oil fields and the Maari/Manaia oil fields complex.

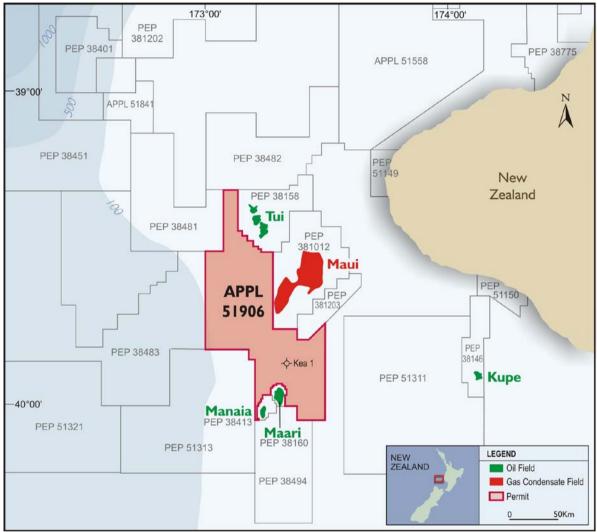


Figure - Location of Taranaki Basin Permit Application

CORPORATE MATTERS

While Octanex currently remains listed on NSX, the Company has applied to list its securities on ASX and listing is now tentatively scheduled for early November 2009. The listing application was preceded by the issue of a prospectus that acted as the disclosure document to accompany the application. The prospectus sought to and placed 1,000,000 shares at an issue price of 30 cents each, therefore raising \$300,000. The funds raised 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.

By Order of the Board

E.G. Albers
Director

Melbourne, Australia 28th October 2009

Risk Factors

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

Furthermore, exploration for oil and gas is speculative, expensive and subject to a wide range of risks. Summaries of some of the risks inherent in an investment in the Company are set on page 111 of the Prospectus issued on 21 September 2009 in support of the Company's application for listing on the ASX. 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 for them of an investment in the Company.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity	
OCTANEX NL	
ABN	Quarter ended ("current quarter")
61 005 632 315	30 SEPTEMBER 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months)
			\$A'000
1.1	Receipts from joint venture participant		
1.2	Payments for (a) exploration and evaluation (b) development (c) production	(171)	(171)
	(d) administration	(544)	(544)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	175	175
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other	-	-
	Net Operating Cash Flows	(540)	(540)
1.8	Cash flows related to investing activities Payment for purchases of: (a)prospects	(1,116) 84	(1,116)
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material) –		
	Net investing cash flows	(1,032)	(1,032)
1.13	Total operating and investing cash flows (carried forward)	(1,572)	(1,572)

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⁺ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows		
	(brought forward)	(1,572)	(1,572)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	300	300
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Share issue costs	(234)	(234)
	Net financing cash flows	66	66
	Net decrease in cash held	(1,506)	(1,506)
1.20	Cash at beginning of quarter/year to date	31,168	31,168
1.21	Exchange rate adjustments to item 1.20	(7)	(7)
1.22	Cash at end of quarter	29,655	29,655

Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	341
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25	Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated
	assets and liabilities but did not involve cash flows
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2.2	Details of outlays made by other entities to establish or increase their share in projects in which the
	reporting entity has an interest
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⁺ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

	Total	100
4.2	Development	
4.1	Exploration and evaluation	300
		\$A'000

Reconciliation of cash

show	nciliation of cash at the end of the quarter (as in the consolidated statement of cash flows) to lated items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	1,758	1,333
5.2	Deposits at call	27,897	29,835
5.3	Bank overdraft	-	-
5.4	Other (provide details)		-
	Total: cash at end of quarter (item 1.22)	29,655	31,168

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			•	
6.2	Interests in mining tenements acquired or increased				

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⁺ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarterDescription includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference				
	+securities				
7.0	(description)				
7.2	Changes during				
	quarter (a) Increases				
	through issues				
	(b) Decreases				
	through returns				
	of capital, buy-				
	backs,				
7.0	redemptions	176 420 104	176 420 104		
7.3	⁺ Ordinary securities	176,428,104	176,428,104		
7.4	Changes during				
	quarter				
	(a) Increases				
	through issues	5,000,000	5,000,000	20 cents	20 cents
	(b) Decreases through returns				
	of capital, buy-				
	backs				
7.5	+Convertible				
	debt securities				
	(description)				
7.6	Changes during				
	quarter (a) Increases				
	through issues				
	(b) Decreases				
	through				
	securities				
	matured,				
7.7	Converted Options			Examples price	Expiry date
1.1	(description and	32,901,372	32,901,372	Exercise price 25 cents	31/12/2010
	conversion	750,000	32,701,372	50 cents	30/06/2010
	factor)	500,000	-	30.30 cents	30/06/2010
		750,000	-	60 cents	30/06/2011
		500,000	-	36.36 cents	30/06/2012
		750,000	-	70 cents	30/06/2012
		500.000	-	42.42 cents	30/06/2012
7.8	Issued during quarter	5,000,000	5,000,000	25 cents	25 cents
7.9	Exercised during	3,000,000	3,000,000	25 cents	25 cents
	quarter				
7.10	Expired during				
	quarter				
7.11	Debentures (totals only)				

⁺ See chapter 19 for defined terms.

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7.12	Unsecured notes (totals	
	only)	

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

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E E	Date:	28/10/2009
Secretary)	. Date.	26/10/2009

Print name: J.G. TUOHY

Notes

Sign here:

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position.
- The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5 **Accounting Standards** The Australian equivalent of International Accounting Standards have been complied with.

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⁺ See chapter 19 for defined terms.