

**Octanex N.L.**

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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.

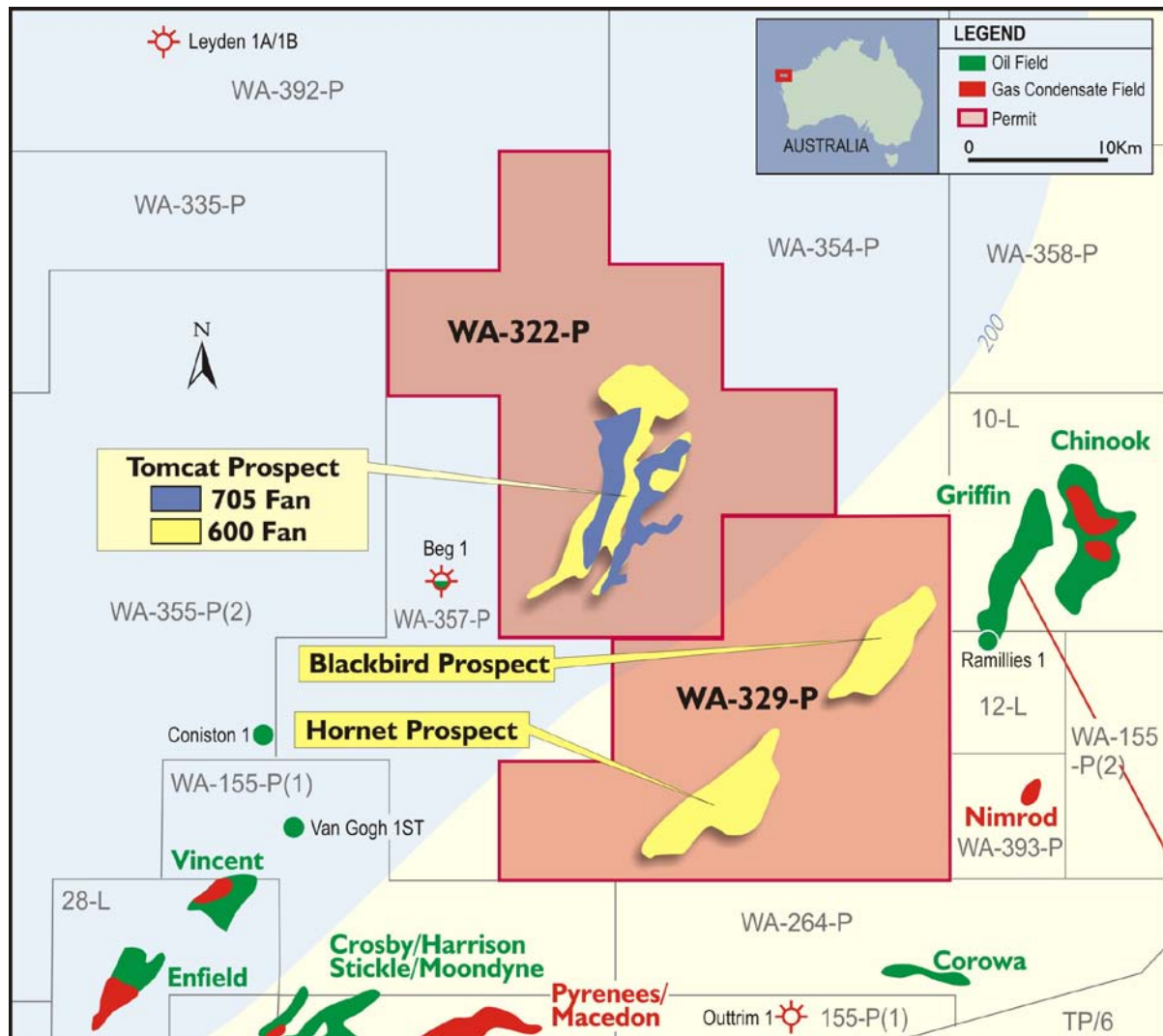
Five of the permits in which direct and residual interests are held by the Octanex Group are located in the Exmouth Sub-basin (WA-322-P, WA-329-P, WA-384-P, WA-385-P and WA-394-P), with a further four permits located on the Exmouth Plateau (WA-362-P, WA-363-P, WA-386-P and WA-387-P). Two of the permits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

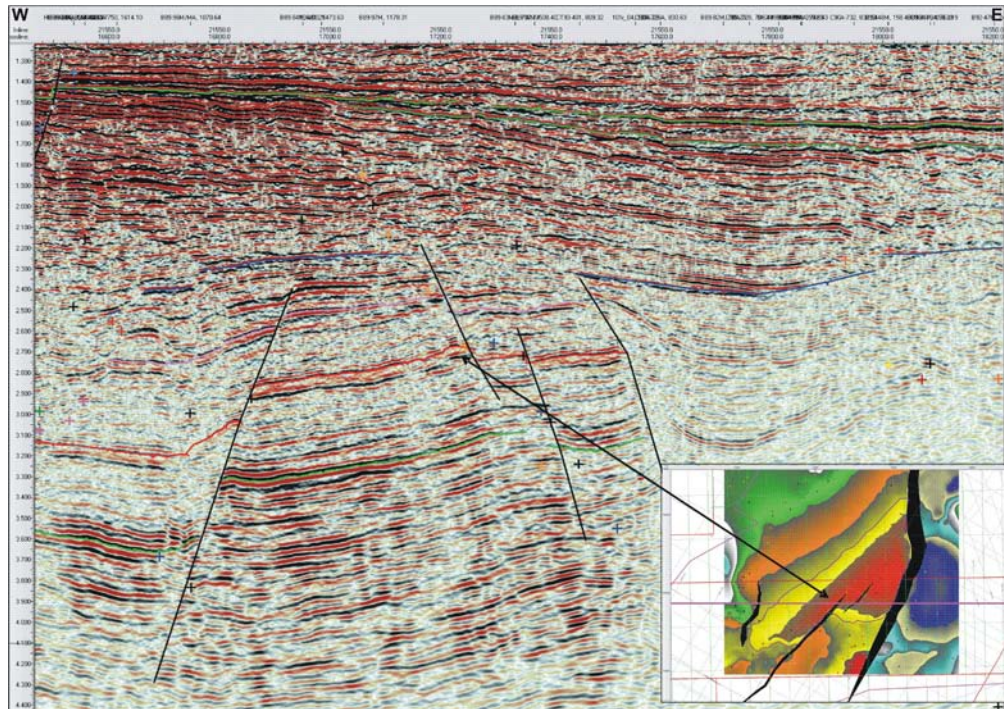
During the quarter under review the data from the Beg-1 well in the adjoining permit became available. Recent interpretation of the data from that well has tended to downgrade the prospectivity of WA-322-P.



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

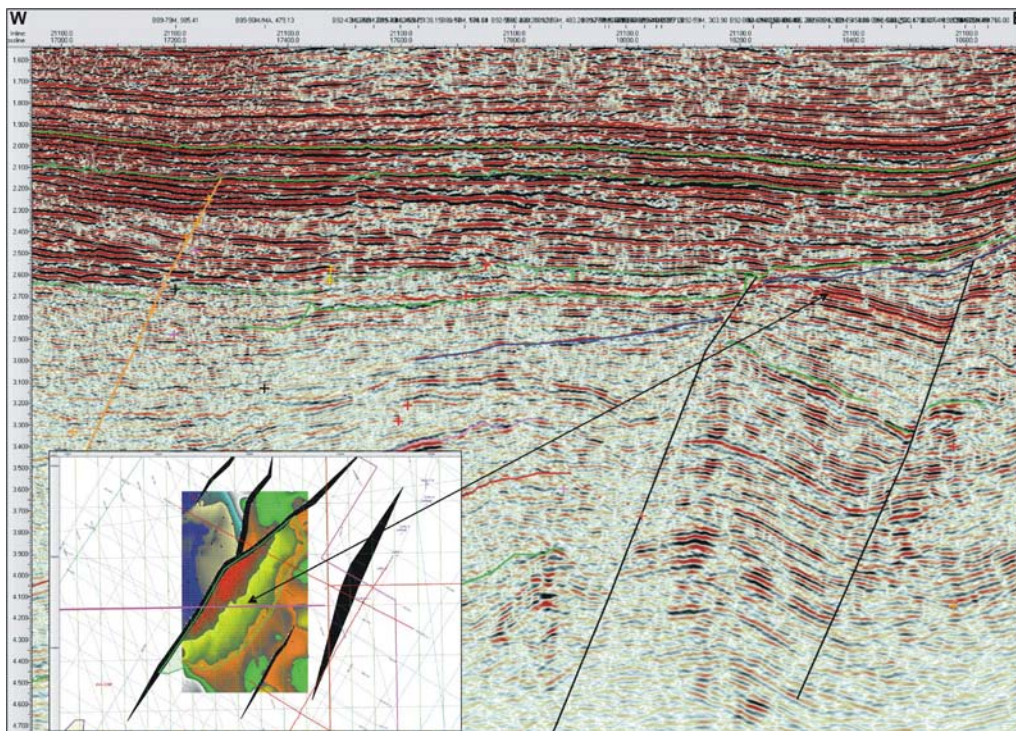
WA-329-P EXMOUTH SUB-BASIN (Octanex Group 100%)

Interpretation of prospectivity within WA-329-P has continued.



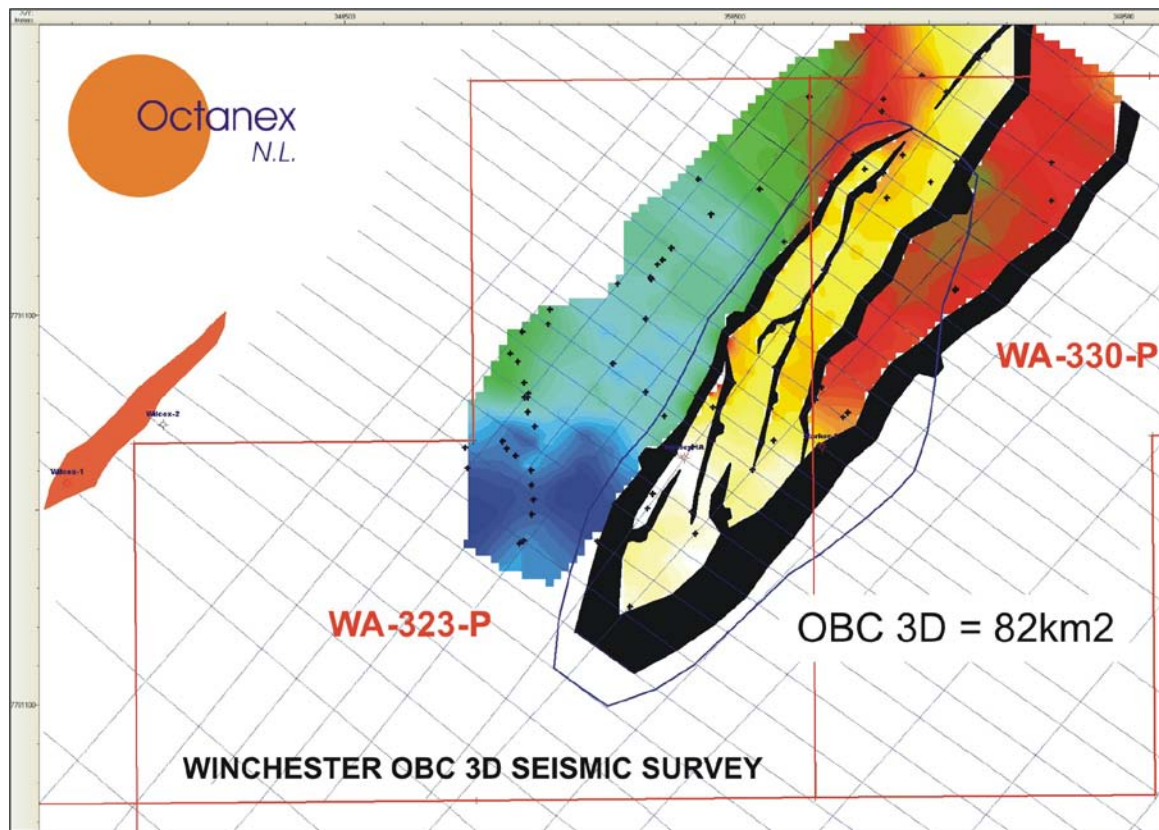
Blackbird Prospect WA-329-P

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.



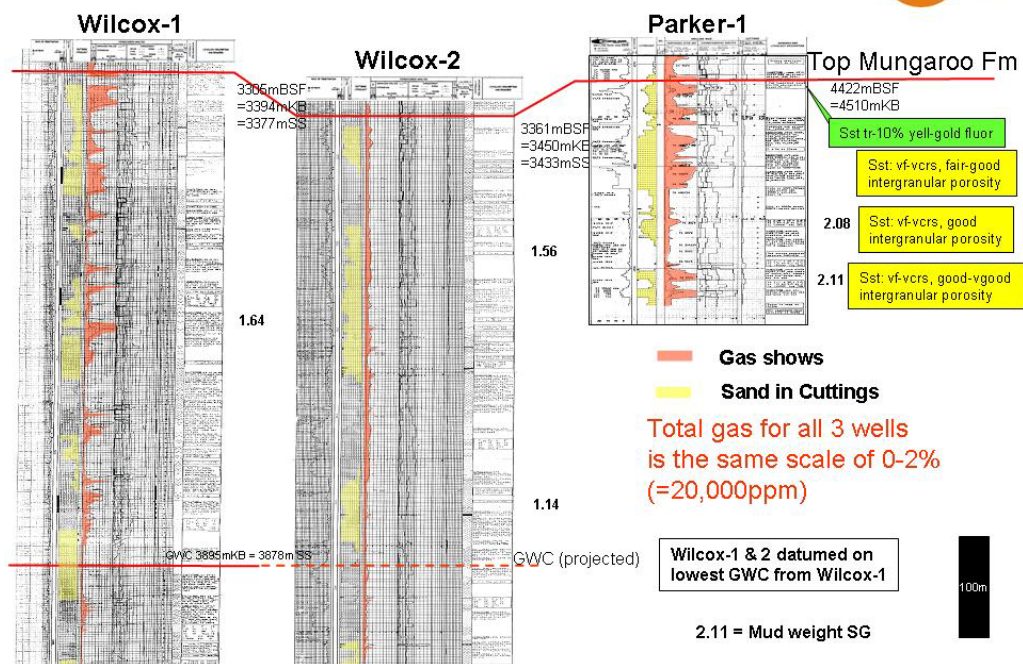
The Parker/Webley horst structure has been identified and is seen as having potential for Triassic and or Early Jurassic structural traps. Our objective from the OBC data is to be able to demonstrate that there is a large and viable structure at Winchester, with potential Triassic Mungaroo reservoirs 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.

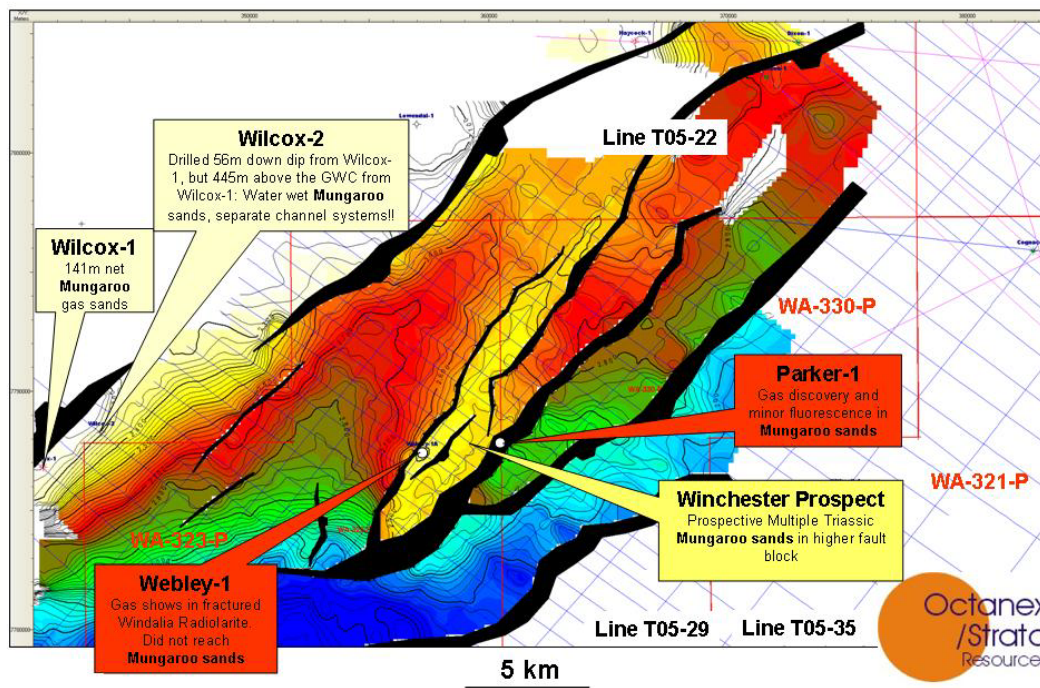
Regional geological studies, including well and seismic correlations, indicate the potential for the Triassic Mungaroo sands to occur higher within the Parker/Webley horst structure, well above the Parker-1 & ST1 penetration of Triassic sands through the footwall fault. Octanex therefore considers the 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-1 Gas Discovery compared with Wilcox-1 Gas Discovery



Parker/Webley Horst - Top Triassic TWT Map Winchester Prospect



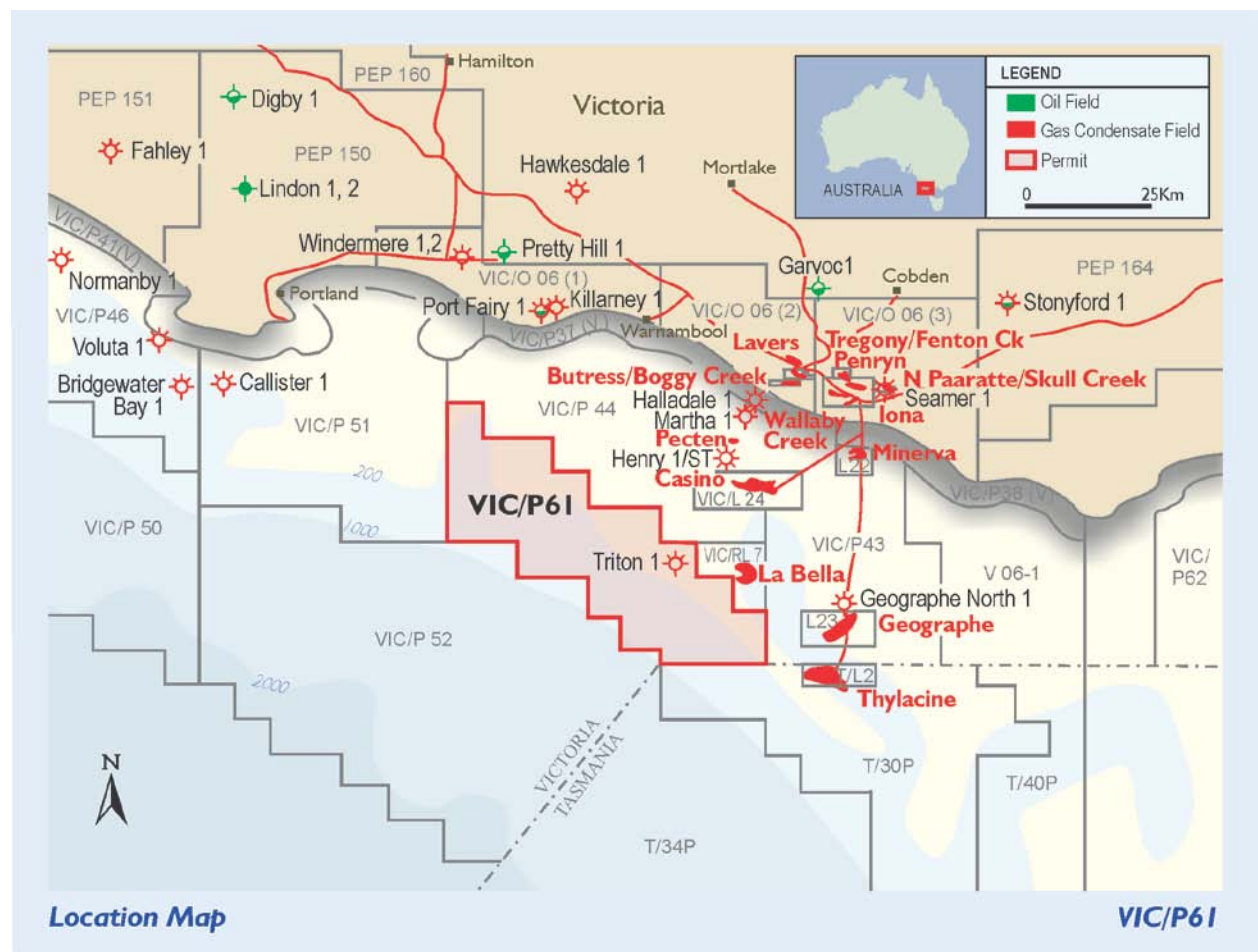
The proximity to WA-323-P and WA-330-P of existing infrastructure and likely future infrastructure extensions, as well as new infrastructure, bodes well for any discovery that may be made at Winchester, whether that be oil or gas. Significant future demand for gas to supply both domestic demand and the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

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.

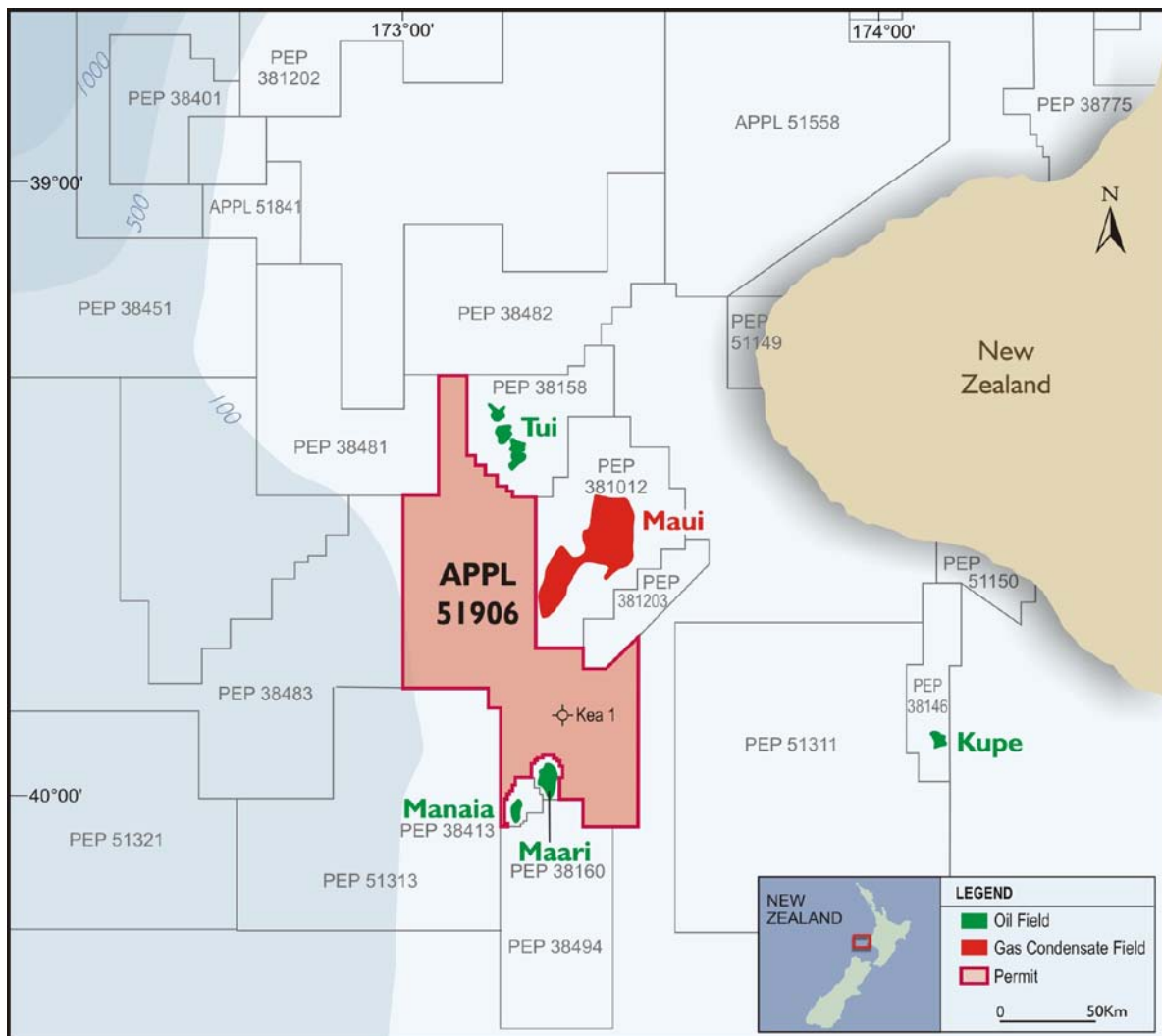


Figure – Location of Taranaki Basin Permit Application

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.

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

61 005 632 315

Quarter ended ("current quarter")

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 (d) administration	(171) (544)	(171) (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)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(1,116)	(1,116)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	84	84
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)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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

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

+ 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

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

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related 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			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description 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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	176,428,104	176,428,104		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,000,000	5,000,000	20 cents	20 cents
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	32,901,372 750,000 500,000 750,000 500,000 750,000 500,000	32,901,372 - - - - - -	<i>Exercise price</i> 25 cents 50 cents 30.30 cents 60 cents 36.36 cents 70 cents 42.42 cents	<i>Expiry date</i> 31/12/2010 30/06/2010 30/06/2010 30/06/2011 30/06/2012 30/06/2012 30/06/2012
7.8 Issued during quarter	5,000,000	5,000,000	25 cents	25 cents
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

- 1 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.



Sign here: Date: 28/10/2009
(Secretary)

Print name: J.G. TUOHY

Notes

- 1 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.
- 2 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.
- 4 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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