

# **OCTANEX NL**

ABN 61 005 632 315

## **HALF-YEAR FINANCIAL REPORT AND DIRECTORS' REPORT**

**31 DECEMBER 2004**

## **DIRECTORY**

### **BOARD OF DIRECTORS**

E.G. Albers (Chairman)  
P.J. Albers  
A.P. Armitage  
C.R. Hart  
G.A. Menzies

### **SECRETARY**

D.B. Hill  
Level 25,  
500 Collins Street,  
Melbourne, Victoria 3000

### **REGISTERED OFFICE AND PRINCIPAL ADMINISTRATION OFFICE**

Level 25,  
500 Collins Street,  
Melbourne, Victoria 3000

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

### **AUDITOR**

PKF  
Chartered Accountants  
Level 11, CGU Tower  
485 La Trobe Street  
Melbourne, Victoria 3000

### **SHARE REGISTRY**

ASX Perpetual Registrars Limited  
Level 4  
333 Collins Street  
Melbourne, Victoria 3000  
Telephone: (03) 9615 9947  
Facsimile: (03) 9615 9744

### **STOCK EXCHANGE LISTING**

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

### **NSX Code: OCT**

### **INCORPORATED IN VICTORIA**

13 March 1980

### **WEBSITE**

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

## **CONTENTS**

Directors' Report .....	1
Directors' Declaration.....	4
Statement of Financial Performance .....	5
Statement of Financial Position .....	6
Statement of Cash Flows .....	7
Notes to the Financial Statements .....	8
Independent Review Report .....	10
Auditor's Independence Declaration.....	11

## **DIRECTORS' REPORT**

The directors present their report on the results of Octanex NL (the "Company" or "Octanex") for the half-year ended 31 December, 2004.

### **DIRECTORS**

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

#### **Mr EG Albers (Director since 2/10/1984) Chairman and chief executive officer**

Mr Albers specialises in the petroleum industry and has a Bachelor of Laws degree from Melbourne University. He has had many years experience in commercial activities and corporate law. Mr Albers is the Chairman and Public Officer of the Company, his other directorships include Cue Energy Resources Ltd, Methanol Australia Limited, Bass Strait Oil Company Ltd, Moby Oil & Gas Limited and various unlisted public companies.

#### **Mrs PJ Albers (Director since 23/3/1996) Non-executive director**

Mrs Albers is a primary producer whose commercial experience includes acting as director of a number of exploration companies.

#### **Mr AP Armitage (Director since 15/1/1997) Independent non-executive director**

Mr Armitage is a Fellow of the Institute of Chartered Accountants in Australia with over 30 years practical experience in business. He has previously practised in the insolvency and management consulting areas and more recently as a business consultant in Asia. Mr Armitage is a fellow of the AICD.

#### **Mr CR Hart (Director since 25/11/1991) Independent non-executive director**

Mr Hart has commercial and technical experience including appointments as a board member of both corporate and civic bodies. Mr Hart is the Managing Director of Methanol Australia Limited, and a fellow of AICD.

#### **Mr G Menzies (Director since 26/8/2003) Independent non-executive director**

Mr Menzies is a barrister and solicitor and has carried on practice as a sole practitioner since 1987. He specialises in corporate reconstructions and capital raisings and obtained his Master of Laws from Melbourne University. Mr Menzies is also a director of Moby Oil & Gas Limited.

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

The economic entity, being the Company and its controlled entity recorded a loss from ordinary activities for the half-year after income tax of \$70,387.

### **REVIEW OF OPERATIONS**

Octanex holds interests in three joint ventures with exploration activities located on the North West Shelf offshore from Western Australia; the Exmouth Joint Venture and the Dampier Joint Venture, and offshore South Australia.

#### **Exmouth Joint Venture**

The Exmouth Joint Venture; in which Octanex has a 37.5% interest, presently comprises a direct interest in oil and gas exploration tenements WA-329-P and residual rights in respect to WA-322-P.

Earlier in the 2004 year, the Exmouth Joint Venture concluded and subsequently settled an agreement with a subsidiary of BHP Billiton Petroleum Limited ("BHP Billiton") for the sale of the whole of the participating interest in WA-322-P to BHP Billiton. In return BHP Billiton have agreed to fund the acquisition and processing of a 55 kms<sup>2</sup> of 3D seismic in the Exmouth Joint Venture's adjacent permit, WA-329-P, as well as a cash reimbursement, a deferred contingent cash payment, and the grant of an overriding royalty interest with respect to any production from WA-322-P to the Exmouth Joint Venturers. The Joint Venture also retains residual rights to a reconveyance of WA-322-P in certain limited circumstances.

The Exmouth Joint Venture has acquired an extensive body of existing geological data available in relation to WA-329-P, including a large amount of seismic data, together with pertinent existing reports and basic data collected by previous operators in the area. This data includes the 800 kms<sup>2</sup> reprocessed, combined Swell and Baylis 3-D seismic data set. In addition, BHP Billiton will, at their cost, acquire and process a new 55 kms<sup>2</sup> 2-D seismic programme on behalf of the Exmouth Joint Venture in WA-329-P as part of the terms of their acquisition of WA-322-P.

## **DIRECTORS' REPORT (cont)**

The transaction with BHP Billiton is significantly beneficial to the Exmouth Joint Venturers, relieving them of significant seismic acquisition costs and opening up the opportunity for significant royalty cash flow should WA-322-P ultimately be the subject of hydrocarbon production.

### **Exploration Activities – WA-329-P**

Geologic and seismic interpretation completed with seven prospects and leads defined.

Four robust structural closures have been mapped within the Triassic, Mungaroo Formation reservoir sand play (Swell, North Baylis, South Baylis & Southwest Nimrod prospects) Top and cross fault seal provided by shaly Brigadier Formation. Presence of both reservoir and seal confirmed in nearby Nimrod-1 well.

One amplitude anomaly and possible flat spot (Algol Lead) within the Upper Barrow Group has been reconfirmed on reprocessed 3D seismic within a subtle structural rollover trap.

One stratigraphic pinchout lead within the base Cretaceous Macedon Sand play defined on reprocessed 3D seismic. This new play is proving highly prospective in adjacent acreage to the west. Submarine fan channel system defined on seismic sealed by basinal shales penetrated in updip Outtrim-1 well, which also confirmed pinchout.

One subcrop lead within the sandy Upper Barrow Group defined by amplitude anomaly within fault terrace. The reservoir play is proven in the nearby Griffin Field, and the top seal is provided by the regional muderong Shale.

### **Dampier Joint Venture WA-321-P, WA-323-P & WA-330-P**

Octanex holds a 50% interest in the Dampier Project in which three underlying contiguous tenements, comprise a discrete project area of 1,200 kms<sup>2</sup>. They are explored as a joint venture.

The Dampier project area covers parts of the Rankin Trend, Kendrew Trough, Parker Terrace (Kendrew Terrace), Madeleine Trend and part of Lewis Trough. All are proven locations for the formation and location of oil and gas. Major commercial hydrocarbon discoveries in close proximity include the giant gasfields of the North West Shelf; these being the Goodwyn, North Rankin and Perseus Gasfields, while the significant oil fields in Lambert, Wanaea and Cossack are in the same region. The undeveloped Dixon gas and condensate discovery is in immediately adjacent acreage.

The proximity of existing infrastructure and the likely future extensions to infrastructure bodes well for any discovery, whether oil or gas, in this project area. Significant future demand for gas to supply the North West Shelf JV LNG plant is envisaged, so that any gas discovery can be anticipated to be valuable and capable of monetisation.

Geologic and seismic interpretation of the Late Jurassic, Angle Formation submarine fan play near completion. A sand pinchout trend has been defined along the west flank of the Hartog anticlinal trend, and a drape trap over the North Webley horst structure similar to, and on trend with, the adjacent Dixon Field has been identified. There is potential for a Triassic or Early Jurassic structural trap within both the North Webley and Webley horst structures.

### **Western Otway Joint Venture – EPP 34**

EPP 34 in which Octanex has a 15% interest is located in the Otway Basin, offshore from South Australia, and covers an area of 76 graticular blocks or approximately 4,850 sq km in water depths ranging from 75 metres in the north to over 2,000 metres in the southwest. The main potential identified in EPP 34, lies in prospects and leads within the Late Cretaceous Sherbrook Group plays, to the north and south of the inverted Morum High, which bisects EPP 34 centrally. Hydrocarbon source may be derived from Late Jurassic to Late Cretaceous petroleum systems, which are considered to be mature for hydrocarbon generation in the Morum Sub-basin.

## **DIRECTORS' REPORT (cont)**

### **INVESTMENTS**

The Company's investments comprise shareholdings in each of Methanol Australia Limited and Cue Energy Resources Ltd.

The Company holds, as at the date of this report, 4,077,945 shares in Methanol Australia Limited ("MEO"), representing 4.4% of the issued paid up capital of MEO (excluding non-voting trustee stock scheme shares), following Octanex's original sponsorship of MEO (as Timor Sea Petroleum NL) as a publicly listed company in 1998.

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

The Octanex Group presently holds 36,380,140 shares, representing 8.4% of the issued capital of Cue Energy Resources Ltd ("Cue").

Cue's main activities are in Papua New Guinea and Indonesia. 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 Singapore Gas (40%). The joint venture has made the Oyong oil and gas discovery and the Jeruk oil discovery in the Sampang PSC, which is located offshore East Java, in the Madura Strait of Indonesia. The Oyong discovery is to be developed in the near future.

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

### **AUDITOR'S INDEPENDENCE DECLARATION**

The Company has obtained an independence declaration from the auditor, PKF, a copy of which is attached to this report.

### **WEBSITE**

The Company has a website at [www.octanex.com.au](http://www.octanex.com.au) where relevant Company documents are displayed.

On behalf of the Board



E.G. Albers  
Director

Melbourne, 16<sup>th</sup> March 2005

## **DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Octanex NL, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) at the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



E.G. Albers  
Director

Melbourne 16<sup>th</sup> March 2005

**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE**  
**HALF-YEAR ENDED 31 DECEMBER 2004**

	NOTE	31/12/2004 \$	CONSOLIDATED 31/12/2003 \$
Revenues from ordinary activities	2	24,407	159,592
Expenses from ordinary activities	3	(131,831)	(230,526)
Loss from ordinary activities before income tax		(107,424)	(70,934)
Income tax relating to ordinary activities		37,037	29,350
Loss from ordinary activities after income tax		(70,387)	(41,584)
Net increase in asset revaluation reserve due to increase in market value of listed share investments		5,719,631	985,156
Share issue costs		-	(264,811)
Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity		5,719,631	720,345
Total changes in equity other than those resulting from transactions with owners as owners attributable to members		5,649,244	678,761
Basic (loss) earnings per share (cents per share)		(0.2¢)	(0.2¢)
Diluted (loss) earnings per share (cents per share)		(0.2¢)	(0.2¢)

The Condensed Statement of Financial Performance is to be read in conjunction with the attached notes

**CONDENSED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2004**

	<b>31/12/2004</b>	<b>CONSOLIDATED 30/6/2004</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash assets	745,913	895,467
Receivables	119,385	76,733
	<hr/>	<hr/>
<b>TOTAL CURRENT ASSETS</b>	<b>865,298</b>	<b>972,200</b>
	<hr/>	<hr/>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	8,740,561	3,020,931
Deferred exploration costs carried forward	284,162	176,587
Deferred tax assets	-	9,740
	<hr/>	<hr/>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>9,024,723</b>	<b>3,207,258</b>
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>9,890,021</b>	<b>4,179,458</b>
	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>		
Payables	221,188	131,259
Current taxation liability	34,887	34,887
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	<b>256,075</b>	<b>166,146</b>
	<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	36,334	18,167
Deferred tax liability	6,198	52,976
	<hr/>	<hr/>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>42,532</b>	<b>71,143</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>298,607</b>	<b>237,289</b>
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>9,591,414</b>	<b>3,942,169</b>
	<hr/>	<hr/>
<b>EQUITY</b>		
Contributed equity	2,438,776	2,438,776
Reserves	8,526,686	2,807,055
Accumulated losses	(1,374,048)	(1,303,662)
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>9,591,414</b>	<b>3,942,169</b>
	<hr/>	<hr/>

The Condensed Statement of Financial Position is to be read in conjunction with the attached notes

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2004**

	<b>31/12/2004</b>	<b>CONSOLIDATED 31/12/2003</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(169,549)	(352,514)
Interest received	19,995	339
	<hr/>	<hr/>
Net cash used in operating activities	(149,554)	(352,175)
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	-	159,253
	<hr/>	<hr/>
Net cash provided by investing activities	-	159,253
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	-	1,493,696
Costs of issue	-	(56,000)
Repayment of loan from related-entities	-	(567,448)
	<hr/>	<hr/>
Net cash provided by financing activities	-	870,248
	<hr/>	<hr/>
Net (decrease) increase in cash assets	(149,554)	677,326
Cash assets at the beginning of the half-year	895,467	96,569
	<hr/>	<hr/>
Cash assets at the end of the half-year	<u>745,913</u>	<u>773,895</u>

The Condensed Statement of Cash Flows is to be read in conjunction with the attached notes

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

### **NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This general purpose half-year financial report has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards including AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) in Australia.

The financial report has been prepared on a going concern basis in accordance with the historical cost convention. The accounting policies adopted are consistent with those applied in the 30 June 2004 Annual Financial Report.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report does not include notes of the type normally found in an annual financial report. It is recommended that the half-year report is read in conjunction with the 30 June 2004 Annual Financial Report, together with any public announcements made by Octanex NL during the half-year.

	<b>31/12/2004</b>	<b>CONSOLIDATED 31/12/2003</b>
	\$	\$
<b>NOTE 2 REVENUE FROM ORDINARY ACTIVITIES</b>		
Non-operating activities:		
Proceeds from sale of investments	-	159,253
Interest received	24,407	339
Total Revenues from Ordinary Activities	<u>24,407</u>	<u>159,592</u>

### **NOTE 3 EXPENSES AND LOSSES (GAINS) FROM ORDINARY ACTIVITIES**

Administration director related	30,000	45,074
Administration other	12,365	7,040
Carrying value of disposed investments	-	159,672
Directors' remuneration	21,800	-
Director's retirement benefit	18,167	-
Exploration costs written off	3,900	-
Interest director related	-	14,875
Other expenses from ordinary activities	7,384	18,174
Registry listing and reporting costs	38,215	19,171
Write back investments	-	(33,480)
Total Expenses from Ordinary Activities	<u>131,831</u>	<u>230,526</u>

### **NOTE 4 SEGMENT INFORMATION**

The economic entity operates in the petroleum exploration sector within Australia.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

### NOTE 5 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Octanex N.L. has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents to International Financial Reporting Standards (IFRS). The Company has allocated internal resources to conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. The Company has established a process whereby solutions have been developed and will shortly be implemented. Priority has been given to considering the preparation of an opening balance sheet in accordance with IFRS. This will form the basis of accounting for IFRS, and is required when the Company prepares its first fully IFRS compliant financial report for the half-year ended 31 December 2005. Set out below are key areas where accounting policies will change and may have an impact on the Company's financial report. The Company has not yet reliably quantified the impacts of changes to the financial report as a result of the adoption of IFRS.

#### *(a) Impairment of Assets*

Under AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use. This will result in a change in the company's accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater.

#### *(b) Classification of Financial Instruments*

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables - measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value with fair value changes charged to net profit or loss, available for sale - measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost.

This will result in a change in the current accounting policy that does not classify financial instruments. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

#### *(c) Share Based Payments*

Under AASB 2 *Share Based Payments*, the company will be required to recognise an expense in net profit for the fair value of share rights and options issued to employees as remuneration. It applies to all share rights issued after 7 November 2002 that have not vested as at 1 January 2005. It is not expected that there will be any material impact as a result of adoption of this standard.

#### *(d) Income Taxes*

Under AASB 112 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax-effects of the transactions and other events that affect amounts recognized in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any material impact as a result of adoption of this standard.

#### *(e) Exploration and Evaluation Expenditure*

AASB 6 exploration for and Evaluation of Mineral Resources mandates the continued use of "area of interest" accounting for exploration and evaluation costs. The standard requires entities, which recognise exploration and evaluation assets, to perform impairment tests on those assets when facts and circumstances suggest that the carrying amount may be impaired. However, the directors believe that impairment testing has been aligned with the factors that must currently be satisfied for capitalisation of exploration and evaluation costs. Consequently the standard should provide similar outcomes for exploration and evaluation costs to the Company's present accounting policy.

**INDEPENDENT REVIEW REPORT**

**TO THE MEMBERS OF OCTANEX N.L.**

**Scope**

We have reviewed the financial report of Octanex N.L. for the half-year ended 31 December 2004. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. The auditor's independence declaration given to the directors would be in the same terms if it had been given at the time the review report was made.

**Statement**

Based on our review, which is not an audit, we have not become aware of any matters that makes us believe that the half-year financial report of Octanex N.L. is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*PKF*

**PKF**

Chartered Accountants

16 March 2005  
Melbourne

*M L Port*

M L Port  
Partner



Chartered Accountants  
& Business Advisers

Level 11, CGU Tower  
485 La Trobe Street  
Melbourne 3000  
GPO Box 5099BB  
Melbourne 3001

Tel: (03) 9603 1700  
Fax: (03) 9602 3870

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

## INDEPENDENCE DECLARATION

**TO : THE DIRECTORS  
OCTANEX N.L.**

As lead engagement partner for the review of Octanex N.L. for the half year ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

*PKF*

A handwritten signature in black ink, appearing to read 'M L Port'.

**PKF**

Chartered Accountants

M L Port  
Partner

16 March 2005  
Melbourne