



Octanex  
N.L.

**PROSPECTUS**

for an issue of ordinary shares at 10¢ each with 2 free attaching options exercisable, respectively, at 10¢ by 31 March 2005 and at 25¢ by 30 June 2008

**THE ISSUE IS UNDERWRITTEN TO AN AMOUNT OF \$1,500,000**

**AN INVESTMENT IN THE COMPANY'S SECURITIES SHOULD BE CONSIDERED SPECULATIVE**

**UNDERWRITER** Great Missenden Holdings Pty Ltd

**SPONSORING BROKER** Pritchard & Partners Pty Limited  
A Member of the Stock Exchange of Newcastle Limited

# CORPORATE DIRECTORY

## DIRECTORS

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

## COMPANY SECRETARY

D B Hill

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South Melbourne, Victoria 3205

## INDEPENDENT ACCOUNTANT

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Level 9  
356 Collins Street  
Melbourne, Victoria 3000

## INDEPENDENT CONSULTING PETROLEUM GEOLOGIST

Michael J Martin  
8 Alness Street  
Applecross, Western Australia 6153

## NOMINATED ADVISER

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Level 2  
409 St Kilda Road  
Melbourne, Victoria 3004

## UNDERWRITER

Great Missenden Holdings Pty Ltd  
Level 25  
500 Collins Street  
Melbourne, Victoria 3000

## SPONSORING BROKER

Pritchard & Partners Pty Limited  
10 Murray Street  
Hamilton, New South Wales 2303

# OCTANEX NL

## PROSPECTUS

### TABLE OF CONTENTS

Description	Page
1. INVESTMENT OVERVIEW.....	1
2. STRATEGY AND OPERATIONS .....	7
3. INVESTMENTS .....	10
4. THE OFFER.....	11
5. UNDERWRITING .....	16
6. STOCK EXCHANGE OF NEWCASTLE .....	17
7. DIRECTORS.....	18
8. MANAGEMENT .....	20
9. CONSULTING GEOLOGIST.....	21
10. ACCOUNTANT.....	21
11. SOLICITOR.....	21
12. CAPITAL STRUCTURE .....	22
13. FINANCIAL INFORMATION .....	22
14. RISK FACTORS.....	23
15. EXPLORATION PERMITS: EXMOUTH.....	25
16. EXPLORATION PERMITS: DAMPIER.....	26
17. OPERATING AGREEMENTS.....	26
18. OTHER AGREEMENTS.....	28
19. SHARES: RIGHTS AND LIABILITIES .....	30
20. CORPORATE GOVERNANCE .....	31
21. CORPORATE STRUCTURE .....	32
22. DIVIDEND POLICY .....	32
23. CONSENTS .....	33
24. INTERESTS OF DIRECTORS: OTHERS.....	34
25. TITLE AND NATIVE TITLE REPORT.....	38
26. ACCOUNTANTS REPORT .....	45
27. GEOLOGIST'S REPORT.....	52
28. RESPONSIBILITY STATEMENT.....	84
29. DEFINITIONS .....	85

### IMPORTANT DATES

EVENT	PROPOSED DATE
Record Date	17 November 2003
Opening Date	17 November 2003
Closing Date	12 December 2003
Shareholder statements despatched	18 December 2003
Expected Date of quotation of Shares on NSX	By 31 December 2003

**The above dates are approximate only**

### APPLICATION FOR LISTING

Application will be made for the Listing on Newcastle Stock Exchange Limited (NSX) of all securities offered for subscription pursuant to this Prospectus.

### ALLOTMENT OF SECURITIES

No securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date this Prospectus was issued. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission on 10 November 2003. Australian Securities and Investments Commission take no responsibility for the contents of this Prospectus.

### FORWARD LOOKING STATEMENTS

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

### DATE OF PROSPECTUS

This Prospectus is dated 10 November 2003.

### SUITABILITY OF INVESTMENT AND RISK FACTORS

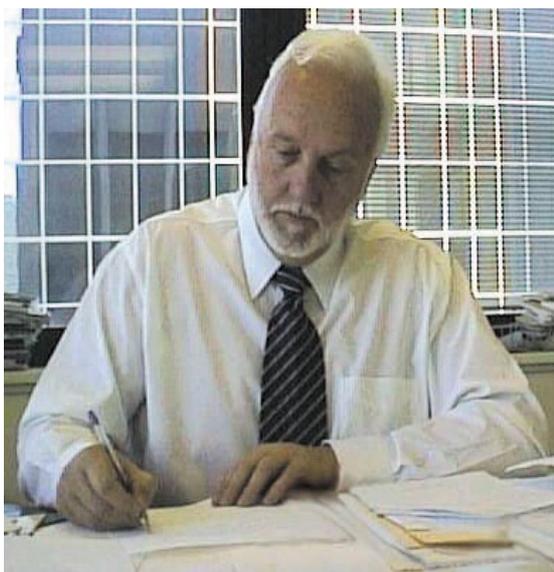
Applicants should read this document carefully and in its entirety with particular emphasis on the risk factors detailed in Section 7 before deciding to invest in the Company. They should understand that exploration for oil and gas is both speculative and subject to a wide range of risks and that, unless the Company makes a commercial discovery they may lose the entire value of their investment. Potential 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 before deciding whether to invest.

### IMPORTANT DOCUMENT

**This document is an important document and should be read in its entirety. If you do not understand it you should consult an appropriate professional or financial advisor.**

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## *Letter to Investors*



*E Geoffrey Albers*

*Dear Investor*

With this Prospectus you are being invited to participate in an issue being made principally to provide funds for the direct petroleum exploration activities in our two projects offshore Western Australia and to discharge short term liabilities.

The Issue offers shareholders in Octanex a priority entitlement of one (1) new share at an issue price of \$0.10 (10 cents) per share for every share presently held with the remaining portion of the Issue being open for subscription generally.

For each share taken up you will be granted two (2) options free of additional cost: one exercisable at \$0.10 (10 cents) on or before 31 March 2005 and the other exercisable at \$0.25 (25 cents) on or before 30 June 2008. As a shareholder, you may apply for additional shares with a minimum parcel of 20,000 shares (and associated options) being recommended by Directors. If you are not a shareholder you may apply for shares with a minimum application of 20,000 shares (and associated options).

Funds are required to progress our exploration of the project areas, in particular to meet our share of the cost of new seismic acquisition. Significant developments in petroleum exploration and production activities are occurring in relative close proximity to our two offshore Western Australia projects. While it is still early days for these two projects, they warrant a thorough, modern exploration effort.

Over the past two years, Octanex has initiated and implemented a strategy of acquiring direct opportunities for participation in upstream oil and gas exploration. Octanex now holds a 37.5% interest in two petroleum exploration permits, (WA-322-P and WA-329-P), located in the Exmouth Sub-basin, a newly emerging oil province at the southern end of the highly productive North West Shelf, offshore Western Australia. These particular tenements are contained in one project area, the Exmouth Joint Venture Project.

The other significant project area is in the Dampier Sub-basin where Octanex holds a 50% interest in three contiguous permits (WA-321-P, WA-323-P and WA-330-P), at the southern end of the North West Shelf gas and oil producing region. The super giant gas/condensate fields of the North West Shelf are to our immediate north, while there are a number of producing oil and gas fields in the vicinity of our project area, as well as significant wells in and adjacent to our project. These wells have variously established the presence of oil, gas and condensate.

A technical assessment of the prospectivity of each of our projects is more extensively described in the Consulting Geologist's Report on the Geology and Exploration Potential of the project areas in Section 27 of this Prospectus.

While the challenges we face in offshore waters are formidable, we have accepted those challenges and will move forward to carry out our programmes. While we cannot assure you that we will be successful, we are encouraged by the strategic location of our projects, their assessed prospectivity, the level and extent of activity going on around them and of their location in a proven hydrocarbon producing province.

For the most part, major companies have dominated the exploration scene offshore from Western Australia, particularly in proximity to our Dampier and Exmouth projects. More recently, new and independent operators have become increasingly active. We are encouraged by this increased activity and by the diversity of geological concepts being developed.

While the technical expertise, capital resources and the risk tolerance required to succeed are substantial obstacles to becoming a successful operator in these offshore locations, the very obvious potential for "company-maker" reserves and profits makes a compelling case for Octanex to commit its resources and to participate in what is, in effect, a new round of exploration using the very latest geophysical techniques.

Increasing availability of sophisticated off-the-shelf technologies from service companies and of expert technical advice from consultants, all aided by the latest computing power, allow companies such as Octanex to make a fully-fledged entry into this environment. There is a worldwide pool of rig operators, seismic service companies and technical consultants upon which we can draw for products and specialist expertise, allowing us to participate and meet our goals.

The benefits from new and advanced seismic technologies, particularly the advances that have taken place in 3-D seismic imaging, and the incredible increases in computing power available to manipulate and process this data, add to the compelling nature of the call to Octanex to participate in the projects.

As well as this new technology, there is available to us an extensive body of existing geological data, 2D and 3D geophysical data and well and exploration histories which allow re-interpretation of prospectivity. We intend to use the latest imaging techniques to manipulate and re-assess this data. We already have a number of leads and prospects which may, with further work, become potential drilling targets. (See Consulting Geologist's Report in Section 27). New seismic programs will more accurately define prospects. This is a powerful base upon which to build modern exploration programs.

The size of our prospects are important in terms of potential reserves, should we make a discovery. This is in accord with our strategy to seek out significantly sized targets, albeit high risk, which is in keeping with our views that shareholders only invest in high risk activity companies such as Octanex because of the quantum nature of the potential returns.

The continuance of world crude oil and natural gas prices at high levels has demonstrated the benefit to Australia of self-sufficiency. Not only is security of supply of fundamental strategic value, but the financial benefits to Australians, through resource and other taxation and, for producers and shareholders as a reward for risk taking, are compelling reasons why Australians should strive to maintain energy self-sufficiency.

The North West Shelf, a proven petroleum producing province, continues to be a desirable location for both oil and natural gas exploration, as evidenced by recent major 3-D seismic and drilling programs. The 3,600km Demeter 3-D seismic survey currently being shot by the North West Shelf Joint Venture has its southern extent immediately adjacent to our Dampier Project, and partly continues into our WA-330-P permit.

The near location to the existing fields on the North West Shelf, some as yet undeveloped, proximity to pipelines, processing facilities and major markets, offer potential advantage to the Company through infrastructure savings, and is another factor in our decision to participate.

In taking up the challenges it faces, Octanex will, above all else, strive to benefit its shareholders and, in doing so, will maintain the highest ethical standards and principles of corporate governance. The Directors, who are experienced in the technical, corporate, legal and financial development of Australia's resources, are committed to best practice in all of our endeavours. We will not compromise on health, safety and environmental matters.

We invite you to join us in this endeavour, and to support this issue by increasing your shareholding by either taking up your strict entitlement or, at your election, applying to round up to a minimum parcel of 20,000 shares or such larger allocation, at your discretion.

We invite non-members of the Company to apply for shares, on the basis of a minimum application of 20,000 shares, and will welcome them as new shareholders in Octanex NL.

**E.G. Albers**  
Chairman  
10 November 2003  
Melbourne

# INVESTMENT OVERVIEW

## 1. INVESTMENT OVERVIEW

### 1.1 Details of the Issue

The Issue comprises an offer of 20,000,000 ordinary shares for subscription, each with two (2) free attaching options as set out herein. Additionally the Company reserves the right to accept oversubscriptions of 7,500,000 shares (with attaching options), which, if fully subscribed, would enable the Company to raise up to \$2,750,000 from the Issue.

The Issue Price of each of the Shares pursuant to the Offer will be \$0.10 (10 cents) and the two associated options will each be granted free of additional cost.

The Shares will rank equally in all respects with each other and the existing issued shares. Each Share entitles the holder to one vote on a poll at the general meetings of the Company.

The Issue has a number of components: these include a pro rata entitlement offer to the existing shareholders on the basis set out in (a) below, under which those shareholders are offered a priority entitlement to approximately 19,409,671 of the shares offered.

The remainder of the Issue is open for subscription by members of the public generally although, as set out in (b) below the members of Cue Energy are also being offered a priority entitlement on the terms set out therein.

#### (a) **Non Renounceable Entitlement Issue to Octanex Shareholders**

The offer is made with first priority of application to existing shareholders of Octanex on a non-renounceable pro rata entitlement basis. Each member shall be entitled to subscribe for One (1) Share for every share held on the Record Date and on the basis that each person applying for Shares will be granted two (2) free attaching options to acquire further ordinary shares for each Share applied for. The first option shall be exercisable at 10 cents on or before 31 March 2005, while the second option shall be exercisable at 25¢ on or before 30 June 2008. The options will be otherwise exercisable on the terms set out in Section 4.4. The options will be freely and separately transferable.

In addition to the priority of shareholders of Octanex on a pro rata entitlement basis, there are other priorities of subscription, as set out in Section 4.

#### (b) **Offer to Cue Energy Shareholders**

Inasmuch as Cue Energy Resources Limited ("Cue Energy") is a member of the Company and has advised the Company that it will not proceed to take up its entitlement to the Issue, Octanex has decided to offer Cue Energy members the opportunity to participate in the Issue with a general priority over other members of the public.

#### (c) **Applications by the General Public**

A general Application Form for use by all persons, other than members of the Company, is attached and forms part of or accompanies this Prospectus. Applications from persons, other than existing members of the Company, must be for a minimum of 20,000 shares (and associated options) and thereafter in multiples of 2,000 shares.

#### (d) **Over-Subscriptions**

In addition to the above, the Company reserves the right to accept over-subscriptions for up to a total of 7,500,000 shares to raise up to a further \$750,000.

#### (e) **Minimum Subscription**

The minimum subscription is \$1,500,000 and is the Underwritten Amount.

#### (f) **Right to Apply for Additional Shares**

Inasmuch as the Issue may not be fully subscribed, the Directors have resolved that members and others will be entitled to apply for additional shares and associated options out of any shortfall in take up of the Issue by members according to their entitlements (the "Shortfall Securities") on the basis set out in Section 4.

**(g) Minimum Application**

Applications from persons other than existing members of the Company must be for a minimum of 20,000 shares (and associated options) and thereafter in multiples of 2,000 shares.

**(h) Underwriting and Commissions**

The Issue is underwritten to an amount of \$1,500,000 by Great Missenden Holdings Pty Ltd, a company associated with directors of the Company, Mr E G Albers and Mrs P J Albers, on the terms set out in Section 5. This amount is equivalent to the minimum subscription applicable to the Issue.

**1.2 Purposes of the Issue**

After payment of the costs of the Issue (Section 1.3), the purposes of the Issue are:

- to partially fund exploration costs for the Exmouth Project and the Dampier Project;
- to discharge short term liabilities of \$713,051;
- to provide working capital to meet operating expenses, with a view to developing the corporate structure and functionality of the Company on an ongoing basis.

Funds raised will be prioritised in their usage, based on the level of subscriptions which may be received (See Section 1.4).

The Issue will not raise sufficient funds to satisfy all work commitment obligations under the terms and conditions of the granted permits, as detailed in Section 15 and 16, but will provide sufficient funding to satisfy the budgeted work program. Applicants should refer to work programs and budgets set out in Section 1.5 and 2.

**1.3 Issue Expenses**

The estimated minimum expenses of the Issue are:

Item of Expenditure	Minimum Subscription	Full amount of the Issue (excluding oversubscriptions)
• Legal fees	40,000	40,000
• Underwriting fees and commissions	95,000	120,000
• Independent Experts fees	16,000	16,000
• NSX fees	10,000	10,000
• Sponsoring Brokers fee	7,500	7,500
• ASIC fees	2,000	2,000
• Printing, Registry fees and Postage	45,000	45,000
<b>Total</b>	<b>215,500*</b>	<b>240,500*</b>

\* Of the costs of the Issue, \$10,000 has previously been paid on account of legal fees and this has been taken into account in preparing the financial statements for the Company as at 30 June 2003. That expenditure is reflected in the independent accountant's report contained herein.

\*\* If over-subscriptions of \$750,000 were received the costs of the Issue would increase by an additional amount of \$37,500 payable to the Underwriter.

**1.4 Use of Funds Raised by the Issue**

Funds raised by the Issue, together with other funds then available to the Company, will be applied as set out in the table showing the budgeted expenditure to 30 June 2004, as set out later in this Section.

**With this Issue Octanex will raise a minimum of \$1,500,000, and up to \$2,750,000, depending on the level of subscriptions. On completion of the Issue the Company will have the following funds available to it, excluding any proceeds of sale of assets held for investment purposes, being the shares in Cue Energy and Methanol Australia Limited ("MEO"), depending on the level of subscriptions.**

<b>ALTERNATE FUNDING SCENARIOS FOR YEAR ENDING 30 JUNE 2004 (dependent upon level of subscriptions)</b>			
<b>Source of Funds</b>	<b>Minimum Subscription (Underwritten) A\$</b>	<b>Full amount of the Issue raised excluding oversubscriptions) A\$</b>	<b>Full amount of Issue including Over-Subscriptions A\$</b>
Cash and Receivables as at 30 June 2003	107,002	107,002	107,002
Shares held for sale (subsequently sold)	159,672	159,672	159,672
Proceeds of the Issue	1,500,000	2,000,000	2,750,000
Net Revenue to be received as Operator/Exmouth and Dampier Joint Ventures*	100,000	100,000	100,000
<b>TOTAL</b>	<b>1,866,674</b>	<b>2,366,674</b>	<b>3,116,674</b>

\* The Company is entitled to receive remuneration, as operator, pursuant to the terms and conditions of the respective joint operating agreements in relation to each of the Exmouth joint venture and the Dampier Joint Venture of an amount of 5% of gross expenditure up to \$10,000,000 on each venture detailed in Section 1.5(c). These figures are calculated on the contribution of the joint venturers, other than Octanex, based on budgeted costs for work programs detailed below, with such funds being received as operations are carried out.

The funds available to the Company from the above sources are expected to be applied to the Company's share of budgeted expenditures as set out in the table below. That table deals with the Company's share of the net expenditure requirements for the year ended 30 June 2004, after taking into account the expenditure commitments of Rocky Mountain Minerals, Inc ("RMMI") pursuant to the RMMI Farmout Agreement. (See Section 17.2)

<b>APPLICATION OF AVAILABLE FUNDS INCLUDING PROCEEDS OF THE ISSUE</b>			
<b>Budgeted Expenditure for year ending 30 June 2004</b>	<b>Octanex's Share of Budgeted Expenditure</b>		
	<b>Minimum Subscription (Underwritten) A\$</b>	<b>Basic Offer A\$</b>	<b>With Over-Subscriptions A\$</b>
Exmouth Project - 2-D Seismic and G&G	562,500	562,500	562,500
Dampier Project - 2-D Seismic and G&G	125,000	125,000	125,000
Discharge of Short Term Liabilities	713,051	713,051	713,051
Net Cash Costs of the Issue (See Section 1.3)	205,500	230,500	268,000
Corporate Expenses (including directors remuneration)	100,000	100,000	100,000
Uncommitted Working Capital	160,623	635,623	1,348,123
<b>TOTAL</b>	<b>1,866,674</b>	<b>2,366,674</b>	<b>3,116,674</b>

To the extent that uncommitted working capital may be insufficient to meet any additional requirements which may be incurred during the year ended 30 June 2004, additional working capital can be made

available from the sale by the Company of securities presently held for investment which, as at 30 June 2003, had a market value of \$2,076,882.

Expenditure in the 2004/5 and subsequent periods will be dependent in part on the results of exploration in the 2003/4 period and approval of budgets by each joint venture. Working capital will be obtained from a combination of sources which may include farmouts, the sale of shares presently held for investment or from the proceeds of further issues including as a result of the exercise of the options expiring 31 March 2005. The Directors consider it reasonable to anticipate that, if the Company achieves any significant level of success in its operations, the 31 March 2005 options would be exercised.

## 1.5 Work Program and Budgeted Expenditures

### (a) Exmouth Joint Venture Exploration Budget and Work Program

Octanex has budgeted for its net 25% share of seismic costs and 37.5% share of other costs in 2003/4 and planned for its 2004/5 share of estimated indicative expenditure by the Exmouth joint venture on third party exploration activities in the Year 2 and Year 3 program, as follows:

#### OCTANEX NET SHARE OF CONTRIBUTION TO EXMOUTH JOINT VENTURE

<i>Year of Term of Permits</i>		<i>Work Program</i>	<i>Budgeted Expenditure A\$</i>	<i>Indicative Expenditure (estimated) A\$</i>
			<i>2003/2004</i>	<i>2004/2005</i>
FIRST:	WA-322-P Y/E 21/03/03	Data Review	Completed	Completed
	WA-329-P Y/E 04/09/03	Data Review, Acquisition of existing seismic data, geoscience studies	Completed	Completed
SECOND:	WA-322-P Y/E 21/03/04	1500km 2-D Seismic Survey	375,000	50,000
	WA-329-P Y/E 04/09/04	750km 2-D Seismic Survey	187,500	25,000
THIRD:	WA-322-P Y/E 21/03/05	Seismic Processing, Interpretation Studies	Nil	50,000
	WA-329-P Y/E 04/09/05	Seismic Processing, Interpretation Studies, geoscience studies	Nil	50,000
<b>TOTAL BUDGETED EXPENDITURE</b>			<b>\$562,500</b>	
<b>INDICATIVE EXPENDITURE (ESTIMATED)</b>				<b>\$175,000</b>

Because each of the two Exmouth project permits are contiguous, considerable exploration efficiencies, particularly seismic acquisition costs, have and will be able to be effected, reducing budgeted expenditure (as reflected above).

### (b) Dampier Joint Venture Exploration

Octanex has budgeted its net share of expenditure by the Dampier joint venture on third party exploration activities in the Year 2 and Year 3 program for 2003/2004 as set out in the table below. It has also planned for estimated indicative expenditure in 2004/2005.

Again, because each of the three Dampier project permits are contiguous, considerable exploration efficiencies, particularly seismic costs, have and will be able to be effected, reducing budgeted expenditure (as reflected below).

**OCTANEX NET SHARE OF CONTRIBUTION TO DAMPIER JOINT VENTURE**

<i>Year of Term of Permits</i>		<i>Work Program</i>	<i>Budgeted Expenditure A\$</i>	<i>Indicative Expenditure (estimated) A\$</i>
			<i>2003/2004</i>	<i>2004/2005</i>
FIRST:	WA-321-P Y/E 21/03/03	Data Review	Completed	Completed
	WA-323-P Y/E 21/03/03	Data Review	Completed	Completed
	WA-330-P Y/E 04/09/03	Data Review, geoscience studies	Completed	Completed
SECOND:	WA-321-P Y/E 21/03/04	Reprocessing 1500km 2-D seismic, studies	75,000	Nil
	WA-323-P Y/E 21/03/04	Reprocess 180km <sup>2</sup> of 3- D seismic data	50,000	Nil
	WA-330-P Y/E 04/09/04	Reprocessing 240km <sup>2</sup> 3- D Seismic, seismic interpretation, geoscience studies	Nil	75,000
THIRD:	WA-321-P Y/E 21/03/05	500km 2-D Seismic Survey, seismic interpretation studies	Nil	300,000
	WA-323-P Y/E 21/03/05	400km 2-D Seismic Survey	Nil	240,000
	WA-330-P Y/E 04/09/05	400km 2-D Seismic Survey	Nil	Nil
<b>AGGREGATE BUDGETED EXPENDITURE</b>			<b>\$125,000</b>	
<b>INDICATIVE EXPENDITURE (ESTIMATED)</b>				<b>\$615,000</b>

(c) **Operating fees**

As Operator of each of the Exmouth Joint Venture and the Dampier Joint Venture, Octanex is entitled to charge, and receive fees in relation to its services and administrative charges. These fees, which are paid by each joint venture (100%) to Octanex for services and administration and payable by Octanex as to 37.5% and 50% respectively, have not been taken into account in the budgeted expenditure for the 2003/4 year. By way of clarification, the net amount of fees taken into account in both net revenue and expenditure calculations are all net of Octanex's liability or contribution for such fees, as these net out to be revenue neutral.

(d) **Budget Matters**

It is difficult to budget for costs of exploration with any certainty. The budgeted estimates are based upon the best estimated costings prepared by Octanex and its consultants. While contracts will be entered into, it is not possible to be absolutely certain with respect to the costs of shooting seismic, particularly because of weather and other downtime. While the current budget does include a contingency allowance it does not make any allowance for a significant overrun.

While the exploration plans are the best estimates available to the Company at this time, and while certain budget allocations are for committed expenditures, work programs are subject to change in line with emerging results, circumstances and opportunities.

## 1.6 **Funding and Financial Matters**

The Company cannot be assured that the funds raised by this Issue will be sufficient to meet all of the costs of the eventual 2004/2005 work programs. They will not meet the costs of work programs for later years. The budgets reflect the economics resulting from the contiguous nature of each of the permits constituting each project area.

Apart from rates that are for the most part fixed, project costs are sensitive to operational risks such as weather and environmental downtime.

Consequently, when the Company requires further funds for its programs, then it is the Company's intention that the additional funds would be raised in a manner deemed most expedient by the Board of Directors, taking into account working capital, exploration results, budgets and share market and industry conditions at the time.

The Company's future funding requirements will become clearer once the results of the 2-D seismic programs are to hand and once the Dampier Joint Venture has formally agreed its commitment to shooting of new seismic in 2004/2005.

It is the Company's intention that, when new additional funds for exploration are required, they will be raised by any one or a combination of the following manners: placement of shares to professional investors, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares to the public. Should these methods not be considered to be viable or in the best interests of shareholders, then it would be the Company's intention to meet its obligations by either farmout or partial sale of the Company's interests, a course of action that is part of the Company's strategy.

# STRATEGY, OPERATIONS AND INVESTMENTS

## 2. STRATEGY AND OPERATIONS

### 2.1 Strategy

The Company's strategy is to acquire and control strategic areas prospective for oil and natural gas, offshore north west Australia, which have significant potential to be farmed out and/or developed in conjunction with major industry players: it being recognised that the Company lacks the resources to fully explore and develop the areas on its own behalf.

At the same time, the Company has maintained an investment portfolio, which enables it to have an indirect interest in other activities, as herein described.

### 2.2 Operations

The Company's direct exploration activities are focused on two exploration tenements groups offshore Western Australia: the Exmouth project area and the Dampier project area. They are described in more detail in the Consulting Geologist's Report in Section 27 and in the text and maps immediately below in this Section.

#### (a) Exmouth Project (Octanex 37.5%)

Octanex holds a 37.5% interest in two petroleum exploration permits, (WA-322-P and WA-329-P), located in the prospective Exmouth Sub-basin, an emerging oil province at the southern end of the Carnarvon Basin, offshore Western Australia. The tenements are governed by a single Operating Agreement (See Section 17.1) and are contained in one project area, the Exmouth Project.

The underlying tenements, WA-322-P and WA-329-P, are contiguous and comprise a total project area of 1,440 kms<sup>2</sup> (356,000 acres) (see Figure 1). They are located approximately 100kms NW of Barrow Island, a significant and long-standing oil producing area off the coast of Western Australia. They are considered prospective for the discovery of both oil and natural gas. They have been only lightly explored and no wells have been drilled in the project area.

To the south, east and west, within 5 – 25kms of the Exmouth project boundaries, there are oil and gas fields and discovery wells.

To the southwest are the gas and oil fields of the Pyrenees/Macedon complex, while further to the west there are the significant new oil discoveries at Vincent, Enfield, Stybarrow, Ravensworth and Novarra, with decisions for development having been announced for Vincent and Enfield.

To the immediate south, there is the Corowa oil discovery.

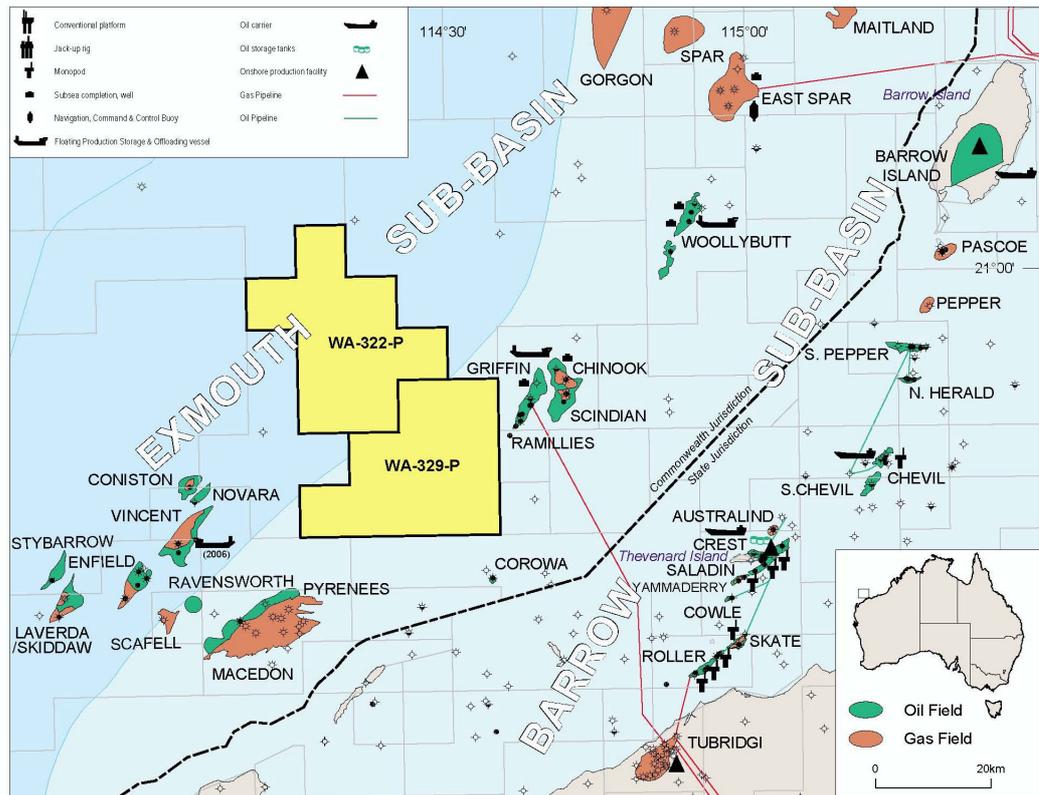
To the immediate east is the producing Griffin Oil Field.

To the north east lies the giant Gorgon gas field and to the south east is the long producing Barrow Island Oil Field.

The project area is strategic, endowed with suitable geology, a necessary ingredient to locate significant economic oil and gas accumulations. (See the Consulting Geologist's Report in Section 27).

**In summary, it can be stated that recent and significant discoveries within the Exmouth Sub-basin indicate that the commercially productive hydrocarbon trends, established over the last 30 to 40 years of exploration, in the immediately adjacent northern Barrow Sub-basin, extend south-westwards from the Griffin, Ramillies, Chinook and Scindian Fields, into the Macedon and Pyrenees Field areas and thence oceanwards to the Novara, Vincent, Laverda, Coniston, Stybarrow and Ravensworth discoveries.**

**Importantly, from the point of view of the Company, Permits WA-322-P and WA-329-P can be seen in Figure 1, set out immediately below, to occupy the area on trend with and between all of these groups of fields.**



**Figure 1: Location Map of Exmouth Project tenements showing significant oil and gas discoveries and facilities**

The Company, in conjunction with its joint venture partners, have been fortunate in securing this unique opportunity to explore this undrilled project area in the Exmouth sector of the prolific Carnarvon Basin.

There is an extensive body of existing geological data available, including a large amount of 2-D seismic and more than 800 kms<sup>2</sup> of reprocessed 3-D seismic data, which the joint venture has acquired.

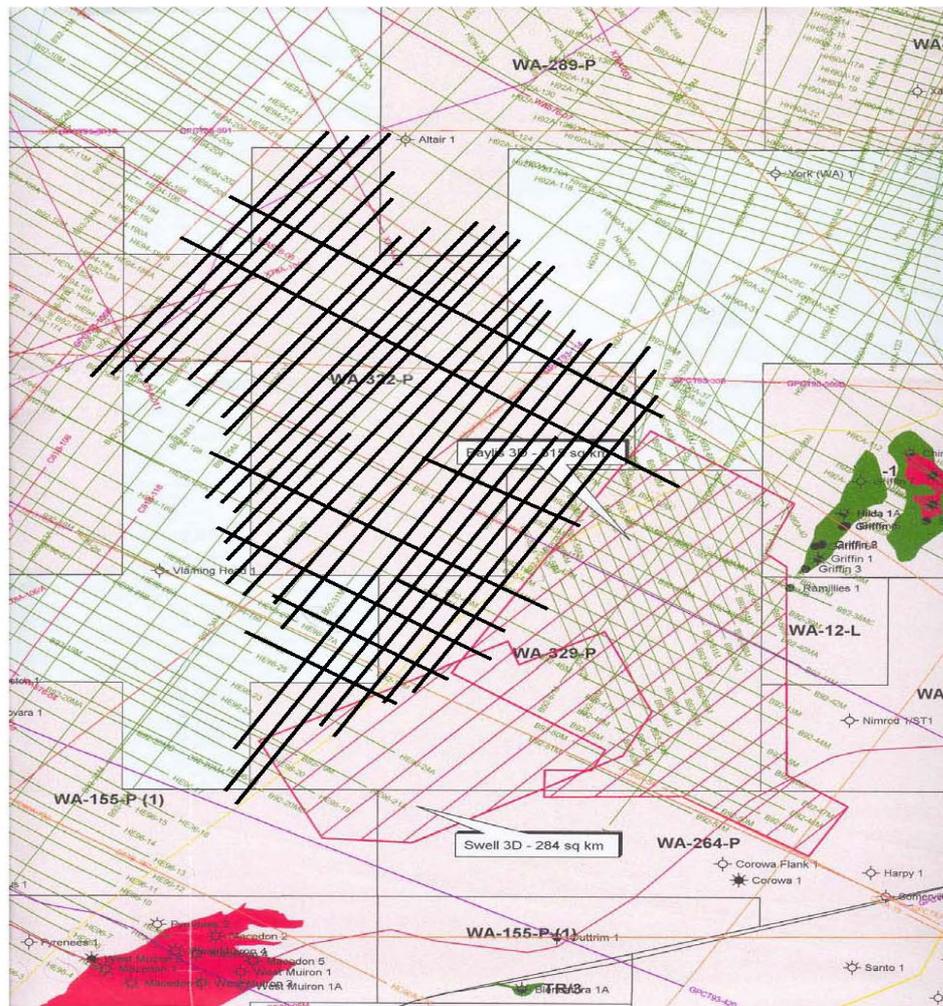
Earlier this year, Octanex and its joint venture partner, Strata Resources NL ("Strata") farmed out a 25% interest to RMMI. This farmout to RMMI has received the approval of the administering body for Australia's offshore petroleum regime, with the transaction registered on 16 April 2003. In acquiring an interest in these tenements, RMMI agreed to earn the 25% farm interest by funding an amount of approximately US\$950,000 over time in relation to the evaluation program.

In the first three-year term of the WA-322-P permit, the Company committed to obtain a large range of pertinent existing reports and basic data collected by previous operators in the area. It has also committed to acquire and process 1500 kilometres of new 2-D seismic data. The data sets will receive extensive interpretational effort so that, should the company so decide, it can elect to enter a second three year permit term and in which it has indicated it will drill one well and acquire further seismic data.

In relation to the WA-329-P permit, the Company committed to the collection of data including 2-D seismic surveys and other existing data in the permit area, including the newly reprocessed 3-D seismic data (the Swell and Baylis 3-D data sets) and to design, acquire and process a new 750 kilometres 2-D seismic programme.

Figure 2 below shows the pre-existing Swell and Baylis 3-D data surveys extending over the bulk of WA-329-P and shows the presently proposed 2-D seismic survey program planned to tie in with those surveys and with other prior 2-D surveys conducted over the WA-322-P permit so as to maximise coverage of these permits.

Applicants are recommended to read the Consulting Geologist's Report carefully, as it sets out a detailed analysis of the Exmouth Project.



**Figure 2: Map showing provisional location of proposed 2-D Seismic program and pre-existing Swell and Baylis 3-D data survey**

(b) **Dampier Project (Octanex 50%)**

Octanex holds a 50% interest in another significant project area, in the Dampier Sub-basin, where three contiguous permits (WA-321-P, WA-323-P and WA-330-P) are held, immediately south of the traditional North West Shelf gas and oil producing region (see Figure 3). Our Dampier Project area about the 3,600kms<sup>2</sup> Demeter 3-D survey currently being undertaken by the North West Shelf Joint Venturers. There are also a number of other producing oil and gas fields in the region and a number of significant wells in and adjacent to our project area. These wells have variously established the presence of oil, gas and condensate. They are more extensively described in the Consulting Geologist's Report on the Geology and Exploration Potential of the Dampier Project areas in Section 27 of this Prospectus.

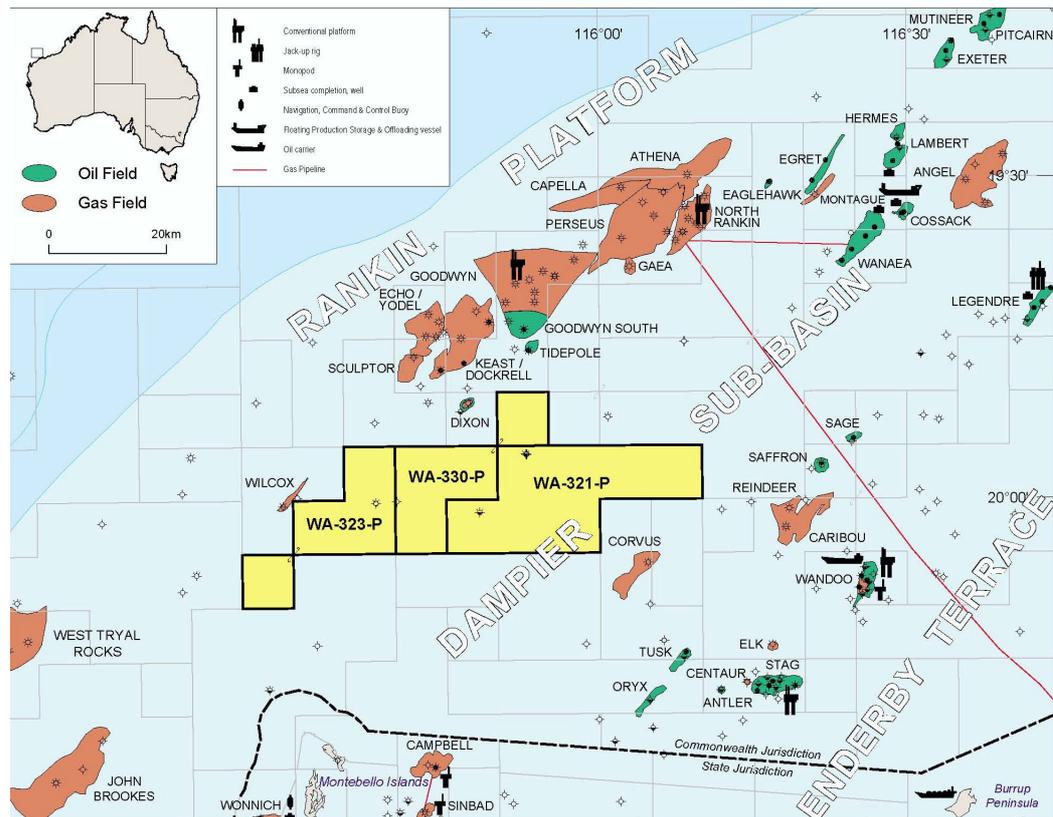
There is little expenditure required in the Dampier project area in 2003/2004.

The Company's share of the 2004/2005 indicative estimated expenditure for exploration for the Dampier Project is presently budgeted at \$540,000, which relates to the shooting of an approximate 900kms of 2-D seismic.

Figure 3 below shows the location of these permits.

The Dampier Sub-basin is the most commercially productive Australian hydrocarbon sub-province.

Permits WA-330-P, WA-321-P and WA-323-P (Figure 3), occupy an area of the sub-basin immediately to the south of the Echo, Goodwyn, Wilcox, Perseus and the North Rankin Gas Fields.



**Figure 3: Location map of Dampier Project tenements showing significant oil and gas discoveries and facilities**

The first offshore exploration well in Western Australia was drilled in the Dampier Sub-basin at the Legendre-1 location in 1968. Discoveries have included the Rankin Trend gas, condensate and oil fields that are managed in large part by the North West Shelf Venture (NWSV) lead by Woodside. The partners in this project have undertaken a total capital investment of more than A\$9 billion in the development of these fields. The present trunkline, which brings gas from the Rankin platform ashore at the Burrup Peninsula, passes 15kms to the northeast of WA-321-P. Shortly a second trunkline will parallel it, and this will involve further expenditure of A\$800 million; the line is scheduled for start-up before mid-2004.

The Madeleine structural trend, which hosts the Wanaea Oil Field 60 kilometres to the northeast, traverses the WA-330-P and WA-321-P permit areas.

The Parker Terrace structural trend runs through the northwest corner of WA-330-P and bisects WA-323-P. It hosts the Dixon and Tidepole gas and condensate accumulations, which are located approximately 8 kilometres to the north of WA-330-P.

Applicants are recommended to read the Consulting Geologist's Report carefully as it sets out a detailed analysis of the Dampier Project.

### 3. INVESTMENTS

#### 3.1 Cue Energy Resources Limited

The Company holds a total of 36,380,140 shares in Cue Energy equivalent to 10.89% of its issued capital and having a market value of \$1,709,867 as at 30 June 2003.

Any Applicant wishing to ascertain additional information about Cue Energy should make enquiries of that company and examine documents lodged with ASIC and available from ASIC.

#### 3.2 Methanol Australia Limited

The Company holds a total of 4,077,944 shares in MEO representing 4.4% of its issued capital having a market value of \$367,015 as at 30 June 2003.

Any Applicant wishing to ascertain additional information about MEO should make enquiries of that company and examine documents lodged with ASIC and available from ASIC.

## **THE OFFER IN DETAIL**

### **4. THE OFFER**

#### **4.1 The Issue Terms**

The Issue comprises an offer of 20,000,000 shares for subscription, each with two (2) free attaching options as set out herein, with the Company reserving the right to accept oversubscriptions of 7,500,000 shares (with attaching options).

The Issue has a number of components, as detailed below.

##### **(a) Non Renounceable Issue to Octanex Members**

The issue is, in the first instance, a non-renounceable pro rata entitlement issue of 19,409,671 shares to Members of Octanex on the following terms, namely that:

- (i) Each member shall be entitled to subscribe for One (1) ordinary share in the Company for every share held on the Record Date.
- (ii) The Issue Price of each Share pursuant to the Offer will be \$0.10 (10 cents);
- (iii) For each Share applied for, a member shall be entitled to two (2) free attaching options to acquire an ordinary share, the first exercisable at \$0.10 (10 cents) by not later than 5.00pm (AEST) on or before 31 March 2005 and the second exercisable at 25¢ on or before 30 June 2008, and otherwise on the terms and conditions set out in Section 4.4(a) and Section 4.4(b), respectively.

As the shareholder pro rata entitlement aspect of the Issue may not be fully subscribed, the Directors have resolved that Octanex members will be entitled to apply for Additional Securities. Applications from Octanex members seeking to round up their holdings to a minimum holding of 20,000 shares or greater will be accorded priority over all other applications.

##### **(b) Offer to Cue Energy Members**

Inasmuch as Cue Energy, as a member of the Company, has resolved not to take up its' entitlement, Octanex has resolved to offer each member of Cue Energy a general priority to subscribe for Shares ranking behind the priority granted to members of Octanex.

##### **(c) Applications from Non Members**

While the Issue, in the first instance, is a non-renounceable pro rata entitlement issue to members of Octanex on a One (1) for One (1) basis with a priority right to apply for the balance of the Issue, the Company proposes to, and reserves the right to, accept over-subscriptions generally for up to 7,500,000 shares with associated free options to raise up to a further \$750,000. These shares reserved for oversubscriptions and any shortfall in the take up of the primary entitlements offer to members ("Shortfall Securities") together comprise those securities referred to above as "Additional Securities".

Accordingly, accompanying this Prospectus is a General Application Form for use by members of the public.

The minimum subscription in relation to general applications is 20,000 Shares and associated options and, thereafter, in multiples of 2,000 shares.

##### **(d) Discretion as to Acceptance of Applications**

Other than as set out above, general applications for shares (and associated options) will be dealt with on a first come first served basis provided that, if the total number of shares applied for exceeds the balance of the available Additional Securities then the directors may accept or reject any such applications in their absolute discretion without any need to provide any reason or explanation and may accept any application in whole or in part.

##### **(e) Entitlement and Application Forms**

Accompanying this Prospectus is a personalised Entitlement and Application Form for use by all Octanex Shareholders.

The Entitlement and Application Form has provision enabling application to be made for additional Shares and associated options to round up shareholdings, on the basis set out above. The Directors recommend that shareholders consider rounding up their holdings to a minimum of 20,000 shares. The Entitlement and Application Form which accompanies this Prospectus sets out details of the persons existing holding, the entitlement and the number of shares required to be subscribed for to round up that persons shareholding to 20,000 shares. It also sets out the moneys payable to subscribe for the entitlement and the amount (if any) payable to achieve that round up.

(f) **Payment for Shares**

The issue price of the Shares is payable in full on application.

Cheques can be made out either in Australian or New Zealand currency depending on the place of the shareholder's or Applicant's residence.

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

Cheques in New Zealand currency forwarded to the Company must be made payable to "Octanex NL NZD Account" and crossed "Not Negotiable".

To facilitate applicants being able to apply for Shares, the Company has enclosed a reply paid envelope.

(g) **Lodgment of Applications by Australian Residents**

Shareholders and Applicants resident in Australia may lodge their duly completed Entitlement and Acceptance Forms (in the case of shareholders) or Application forms (in the case of non-members) together with the payment of the subscription moneys (in Australian currency) by forwarding same in the in the enclosed reply paid envelope to:

ASX Perpetual Registrars Limited  
Level 4  
333 Collins Street  
Melbourne, Victoria 3000 Australia

(h) **Lodgment of Applications by New Zealand Residents**

New Zealand resident Shareholders and Applicants may lodge their duly completed Entitlement and Acceptance Forms (in the case of shareholders) or Application forms (in the case of non members) together with the payment of the together with the payment of the subscription moneys (in New Zealand currency) in the enclosed reply paid envelope to:

B K Registries Limited  
PO Box 384  
Ashburton, New Zealand

The issue price or payment in NZ dollars is 11¢. All Shareholders with New Zealand addresses will receive an Entitlement Form denominated in New Zealand dollars.

(i) **Opening and Closing of the Issue**

The Issue is made, in the first instance, to Members of Octanex on the register of members of the Company as at the Record Date being 10.00pm (AEST) on 17 November 2003.

The Issue will close on the Closing Date that is 5.00pm (AEST) on Friday, 12 December 2003.

(j) **No Rights Trading**

The rights to the Shares are non-renounceable and may not be disposed of other than as detailed in this Prospectus.

(k) **Overseas Shareholders**

This Prospectus does not constitute an offer in any jurisdiction in which it would not be lawful to issue this Prospectus.

Overseas residents and their agents are responsible for ensuring that an application for Shares does not breach any regulation applicable to any such overseas resident.

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

**(l) Taxation and Stamp Duty Implications**

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

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

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

**(m) Action by Applicants**

Duly completed Entitlement and Acceptance Forms should be lodged with the Company's Share Registry by using the enclosed reply paid envelope or to ASX Perpetual Registrars Limited (the Share Registry) at its address set out in Section 4.1(g).

New Zealand resident shareholders may lodge duly completed Entitlement and Acceptance Forms at the address set out in Section 4.1(h), on or before the Closing Date (5.00pm (AEST) on Friday, 12 December 2003 using the enclosed reply paid envelope.

**(n) Acceptance of Applications for Securities**

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

**(o) Allotment**

Except in relation to specific entitlements set out in personalized Entitlement and Acceptance Forms, the Directors reserve the right to accept or reject (in whole or in part) any Application received.

Where no allotment or issue of Securities is made or the number of Securities allotted is less than that applied for, all surplus application money will be refunded in full without interest. The surplus application money will be refunded not later than 14 days after the close of the Offer.

In accordance with the provisions of the Corporations Act 2001, all subscription moneys shall, pending allotment and issue of securities pursuant to this Issue, be held by the Company in trust in a bank account established solely for the purpose of depositing application moneys received. Any interest earned on those moneys shall be to the Company's account.

**4.2 Stock Exchange Listing****(a) Application for Listing on NSX**

Application will be made to Newcastle Stock Exchange (NSX) within 3 business days after the date of issue of this Prospectus for the Company to be admitted to the Official List of NSX and for quotation of the shares on the stock market maintained by NSX.

Allotment of Shares and associated options to Applicants will occur as soon as practicable after the Closing Date. It is the responsibility of Applicants to determine their allocation of shares prior to trading in those shares. Any Applicants who sell shares before they receive their shareholding statements will do so at their own risk.

It is expected that trading on the stock market conducted by NSX will commence as soon as practicable after allotment of the Shares and despatch of shareholding statements. If the Company has not been admitted to the Official List of NSX within 3 months of the date of the issue of this Prospectus then all Application Moneys will be refunded in full. Interest will not be paid on Application Money refunded.

**(b) Restricted Securities**

NSX may, as a condition of granting the Company's application for Official Quotation of its shares, classify certain of its existing shares and options to take up unissued shares as restricted securities. If so, prior to the Official Quotation of the Company's Shares, the holders of the restricted securities will be required to enter into restriction agreements with the Company and an escrow agent. The terms of any such restriction agreement will be as determined by NSX in accordance with the Listing Rules of NSX. Any such restriction agreements or escrow agreements will prohibit the transfer of effective ownership or control of those securities subject to those restrictions for such period as NSX may determine, unless the written consent of NSX is obtained to any such transfer.

**(c) CHESS**

The Company will apply to be admitted to participate in the Clearing House Electronic Subregister System ("CHESS"), in accordance with NSX Listing Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of shares.

The Company will not issue certificates to shareholders. Shareholders who elect to hold shares on the issuer-sponsored sub-register will be provided with a holding statement (similar to a bank account statement), which sets out the number of Shares allotted to the shareholder under this Prospectus. For shareholders who elect to hold the shares on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares allotted to the shareholder under this Prospectus. At the end of the month of allotment, CHESS (acting on behalf of the Company) will provide shareholders with a holding statement that confirms the number of shares held.

A holding statement (whether issued by CHESS or the Company) will also provide details of a Shareholder's Holder Identification Number in the case of a holding on the CHESS sub-register or Shareholder Reference Number in the case of a holding in the issuer-sponsored sub-register. Following distribution of these initial holding statements to all shareholders, a holding statement will also be provided to each securityholder at the end of any subsequent month during which the balance of that securityholder's holding of securities changes.

**4.3 Rights and Liabilities Attaching to Shares**

The rights and liabilities attaching to Shares are detailed in Section 19.

**4.4 Terms and Conditions of Options****(a) Options Expiring 31 March 2005 Exercisable at AS\$0.10 (10 cents)**

The terms and conditions of the options expiring on 31 March 2005 are as follows: namely, the Optionholder will be entitled to subscribe for and be allotted an Ordinary Share on the following terms:

- (i) The option shall expire at 5.00pm (AEST) on 31 March 2005 ("Expiry Date").
- (ii) The option shall entitle the Optionholder to subscribe for an ordinary share in the capital of the Company. A share issued on the exercise of the option will be a fully paid ordinary share and will rank equally in all respects with the then existing issued ordinary fully paid shares in the capital of the Company from the date of issue and will be subject to the provisions of the constitution of the Company.
- (iii) The option may be transferred at any time in accordance with the Corporations Act 2001, the Security Clearing House Business Rules and the Listing Rules.
- (iv) The option shall be exercisable at 10 cents ("Exercise Price").
- (v) The Option may be exercisable at any time prior to the Expiry Date by notice of exercise in or to the effect of the form provided to the Optionholder by the Company at the time of grant of the Option or otherwise accompanied by payment of the Exercise Price.
- (vi) An Optionholder has no right to a change in the Exercise Price or to any change to the number of underlying securities over which the option can be exercised.
- (vii) An option shall not entitle the holder to participate in new issues of ordinary shares offered to members of the Company during the currency of the option.
- (viii) On exercise of this option the optionholder will be entitled to be granted one option to subscribe for an ordinary share in the capital of the Company exercisable at 25 cents with an expiry date of 30 June 2008 and otherwise on the terms and conditions set out herein, save that this sub-clause shall not form part of such terms and conditions. Any such option shall be issued on the basis that the Company shall make application for such option to be listed on any stock exchange on which the Company's ordinary shares are admitted to quotation.
- (ix) In the event of any reorganisation of the capital of the Company, the options shall be treated in the manner required by the Listing Rules in force as at the date of any such reorganisation, and as appropriate to the type of reorganisation proposed.
- (x) For the purpose of these terms of issue of options, any reference to "the Company" shall mean a reference to the legal entity comprising the Company or, if the Company shall at any time enter into a scheme of arrangement with its members; pursuant to which its members:

- (1) become entitled to exchange their shares in the Company for shares in another corporation (whether incorporated pursuant to the laws of any State of Australia or otherwise);
- (2) receive shares (and nothing else) in another corporation (whether incorporated pursuant to the laws of any State of Australia or otherwise) in return for the cancellation or redemption of all of their shares in the capital of the Company;

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

(b) **Options expiring 30 June 2008 exercisable at A\$0.25 (25 cents)**

The terms and conditions of the Options expiring on 30 June 2008 are the same as those expiring on 31 March 2005 save that:

- (i) the Exercise Price is A\$0.25 (25 cents); and
- (ii) the Expiry Date is 5.00pm (AEST) on 30 June 2008.
- (iii) the provisions of sub-clause (viii) have been omitted: i.e. there are no further inherent option rights following exercise of these options.

4.5 **Speculative Nature of Offer and Projects**

This Prospectus and the projects in which the Company has invested should be considered as speculative given the nature of the risks discussed in Section 14 of this Prospectus.

4.6 **Instructions to Applicants**

(a) **Action by Applicants**

Accompanying this Prospectus are:

- (i) a personalised Entitlement and Application Form for use by Octanex members.
- (ii) a white Application Form for use by non-members which is attached to the Prospectus
- (iii) a reply paid return envelope for use by Applicants, whether resident in Australia or New Zealand.

Each form provides detailed instructions as to how applications for Shares and associated options should be made. Applications for Shares and associated options will only be accepted on these forms.

Duly completed Forms lodged by Australian residents should be lodged with the Company's Share Registry at the address set out in Section 4.1(g) above on or before the Closing Date.

New Zealand applicants should lodge applications at the address set out in Section 4.1(h) above on or before the Closing Date.

(b) **Tax File Numbers**

It is not necessary for Applicants to quote their tax file number.

4.7 **Enquiries**

If you have any enquiries as to the terms of the Issue please contact:

**Mr David Hill**                      **OR**    **Mr Peter Armitage**  
**Company Secretary**                      **Director**

**Octanex NL**

Level 25, 500 Collins Street  
Melbourne Vic 3000

**Telephone:** (03) 9629 6100

**Facsimile:** (03) 9629 6278

**Email:**        admin@octanex.com.au

## 5. UNDERWRITING

The Issue is underwritten by Great Missenden Holdings Pty Ltd, which is an associate of Mr E G Albers and Mrs P J Albers, directors of the Company.

The underwriter expressly reserves the right to appoint sub-underwriters for the whole of, or part of, the underwritten amount.

The underwriting agreement is unconditional, save that the Underwriter may terminate the underwriting by notice to the Company in the event of the occurrence of any of the following events, namely, if:

- 5.1 ASIC makes an order or interim order under section 739 of the Act (to stop the issue of securities to which this Prospectus relates).
- 5.2 Any person (other than the Underwriter) who consented to being named in, or to the issue of, this Prospectus withdraws that consent.
- 5.3 The Company:
  - (a) suspends payment of its debts generally;
  - (b) is or becomes insolvent;
  - (c) becomes an externally-administered body corporate, or steps are taken by any person towards making it an externally-administered body corporate;
  - (d) has a controller (as defined in section 9 of the Act) appointed of any of its property, or steps are taken for the appointment of such a person; or
  - (e) is taken to have failed to comply with a statutory demand within the meaning of section 459F of the Act.

The terms of the underwriting provide that Great Missenden Holdings Pty Ltd will be paid a management fee of \$20,000 in relation to the Issue, but does not include a management fee for any over-subscriptions which may be received. Over-subscriptions are not underwritten, but commission is payable on them, as set out below.

The Company will pay commission of 5% of the total amount raised pursuant to the Issue including the amount raised on over-subscriptions. That commission is payable as follows:

- (f) Under the terms of the Underwriting Agreement, Great Missenden Holdings Pty Ltd (as the Underwriter) will prima facie be entitled to receive commission of 5% on the amount of the amount raised provided that, to the extent that applications are lodged by licensed dealers acting for shareholders applying for Shortfall Securities, the licensed dealer lodging such applications will be paid commission of 4% on those applications which are valid and which are accepted by the Company and that commission will reduce the amount of commission otherwise receivable by Great Missenden Holdings Pty Ltd so as to avoid any duplication of payment of commission on the moneys to be raised by the primary issue.
- (g) Insofar as any applications for Additional Securities are concerned, the Company will pay the Underwriter a fee of 5% of the total amount raised less a commission at the rate of 4% to licensed dealers lodging applications for shares by way of over-subscription. The maximum commission which would be payable on over-subscriptions is therefore \$37,500. Additional Securities means the aggregate of Shortfall Securities and the full amount of over-subscriptions applied for.

For the purpose of clarity, the underwriting fee is not payable in relation to funds raised from exercise of the options forming part of the Issue.

# STOCK EXCHANGE OF NEWCASTLE LIMITED

## 6. STOCK EXCHANGE OF NEWCASTLE

Stock Exchange of Newcastle Limited ("NSX") was the second stock exchange approved under the then Corporations Law in Australia (February 2000) and is licensed under the Financial Services Reform Act 2001 which came into effect on 11 March 2002. NSX is a fully operational and fully regulated stock exchange. NSX has Listing and Business Rules approved by ASIC <http://www.asic.gov.au>. All listed entities must comply with these rules. NSX is not the same as the Second Board that existed in Australia in the late 1980's and early 1990's

NSX concentrates on creating a market for the securities of small, medium and regional based enterprises and specialised securities including mining and exploration companies, emerging technologies, and traditional manufacturing or services sectors.

NSX does not limit itself to corporate listings but also includes any areas of the economy that require a market platform as there is a great need for growth companies to have a capital market where they can raise further capital and provide a mechanism for the transferability of their shares.

### 6.1 Trading shares on NSX

Trading NSX shares is exactly the same process as trading ASX shares. When you decide to buy or sell you will need to place an order with a member broker of the NSX.

### 6.2 Brokers dealing on NSX

The following brokers are full Participating Organisations of NSX:

- Cameron Stockbroking (Sydney) – Telephone 1800 757 753;
- Citigroup Global Markets Australia Pty Limited – Telephone 1800 808 576;
- Macquarie Equities (& Branches) – Telephone 1800 501 562;
- Tonkin Scorer Menzies (Newcastle) – Telephone (02) 4929 1541;
- Pritchard & Partners (Newcastle) – Telephone 1800 134 234;
- Westpac Broking (& Branches) – Telephone 13 13 31;
- Reynolds & Co (Sydney) – Telephone (02) 9247 4452.

Full profiles of each broker are available on the NSX website <http://www.newsx.com.au>. The broker network offers access to and promotion of stocks on NSX.

### 6.3 NSX's Trading System

NSX has a trading system called NETS. This system utilises the power of ASX's own SEATS trading system, which all Australian brokers use. NSX licenses the technology from ASX on full commercial terms. The interface is the same and requires no additional training to operate by brokers.

### 6.4 Availability of CHES reports about holdings

Presently all NSX securities are registered in CHES and standard CHES reports are available for securityholders.

### 6.5 Obtaining share prices for NSX quoted securities

Share prices are available from a variety of sources. Member brokers can obtain full market information from the NETS screens, IRESS, and AAPO carry end of day information as part of their news services. For investors, the NSX website <http://www.newsx.com.au> carries price updates every 20 minutes as well as daily and monthly price histories on each stock. The Australian Financial Review carries daily trading information and month to date summaries are published each Monday in the Market Wrap section.

### 6.6 The role of Nominated Advisers

Companies intending to list on NSX are required to have a Nominated Adviser and a Sponsoring Broker. It is contemplated that, with a Nominated Adviser for each entity, investors will be offered better protection because Nominated Advisers are required to ensure that companies meet the listing requirements and requirements of the Corporations Act 2001 in Australia.

### 6.7 Information about NSX?

NSX publishes substantial information about itself and the market on its website at <http://www.newsx.com.au>.

## DIRECTORS AND MANAGEMENT

### 7. DIRECTORS

#### **Mr E G Albers (Chairman of Directors)**

Geoffrey Albers has over 30 years experience as a director and administrator in corporate law, petroleum exploration and resource sector investment. He is a law graduate of the University of Melbourne and, after being admitted in 1969 as a Solicitor of the Supreme Court of Victoria, practiced commercial and corporate law in Victoria. Since the early 1980's until 1991 he held a corporate practising certificate in keeping with his involvement in companies in which he holds a financial interest.

In 1978 Mr Albers first became involved in oil exploration. Companies associated with him applied for and were awarded exploration permits in the offshore Bass Basin. Exploration in one of these permits, T14P, led directly to the discovery of the Yolla Gas Condensate Field.

In the early 1980's Mr Albers became increasingly involved in oil and gas exploration in New Zealand, in 1981 forming Cue Energy Resources Limited ("Cue Energy") of which he remains a Director. That company subsequently took a significant interest in the drilling of a number of offshore wells in New Zealand including the Maari Oilfield discovery wells, Moki-1 and Moki-2, and in Australia where Cue Energy participated in the discovery of the Yolla Gas Condensate Field. Cue Energy retained a 14% interest in the Yolla Retention Licence until 2001 when it sold the interest. More recently Cue Energy has focused its attention on Papua New Guinea, where it holds an interest in the unitised S E Gobe Oil Field development. In 2001 Cue Energy made the Oyong oil and gas discovery in offshore Indonesia.

In 1983, Mr Albers co-sponsored the formation of Southern Petroleum NL ("Southern") in New Zealand. Southern subsequently participated in the drilling of two offshore wells in deep water in the Great South Basin off the South Island, and in a number of wells in the offshore Taranaki Basin region. Southern subsequently farmed into the onshore Taranaki Basin and made the Tariki, Ahuroa and Waihapa oil and gas discoveries in the area. Mr Albers withdrew from the board of Southern after instigating a beneficial merger of Southern (as the parent entity) with Payzone Exploration Limited, a petroleum explorer sponsored by companies associated with Brierley Investments Limited who held similar interests. Southern became a successful producing company as a result of these discoveries, reaching a peak sharemarket valuation in excess of NZ\$250 million before being taken over by the Fletcher Challenge group. It is now part of the Shell group.

In 1980 Mr Albers incorporated the Company and in the early 1990's he acquired and reorganised the company now known as Strata Resources NL. These two companies formed Timor Sea Petroleum Pty Ltd ("TSP") as a joint venture company in 1994. TSP sought and in 1996 was ultimately awarded NT/P47 and NT/P48 in the Timor Sea, before entering into farmout and joint venture arrangements with Shell Development Australia Pty Ltd. 13,000 line kilometres of seismic were shot and two wells were drilled before mid 1998 by Shell as part of the farm arrangement. One of the wells, Evans Shoal 2, proved up indicated a gas resource of approximately 6.6 TCF of gas, then one of the largest gasfields in Australia.

In 2000 Timor Sea Petroleum NL instituted a demerger scheme of arrangement whereby it distributed to its 2,500 shareholders the whole of the issued capital of a subsidiary, Natural Gas Australia Ltd ("NGA") holding all its oil and gas interests. Following the distribution of shares, NGA became listed on the ASX and, after increasing its interest in the Evans Shoal gasfield to 40% by a \$50 million purchase from Shell, merged with Santos Ltd, with benefits to the shareholders of NGA.

TSP changed its name to Methanol Australia Limited and has since pursued a proposal for the development of a \$2 billion gas processing plant on a man-made island adjacent to the Evans Shoal gasfield, 300kms north west of Darwin. The project has been granted "Major Project Facilitation Status" by the Australian government and has completed a detailed Environmental Impact Statement. MEO is presently seeking participation from joint venturers in this venture.

In 1998 Bass Strait Oil Company Ltd ("BSOC"), a company sponsored by Mr Albers, sought and was awarded Vic/P42, a petroleum exploration permit in the offshore Gippsland Basin. BSOC farmed out an interest in Vic/P42 to Inpex Corporation of Japan in a \$22 million farmout transaction. Subsequently the Melville-1 well was drilled at a cost of (US)\$11 million and a 420 kms<sup>2</sup> 3-D seismic survey at a cost of \$4 million was shot. BSOC has recently completed a merger effected by a scheme of arrangement with Bass Strait Group NL ("BSG") under which it has acquired the latter company's interest in a 0.0648% overriding royalty interest over the Yolla Field in consideration for issuing shares to certain of the members of BSG on the cancellation of their shareholdings.

In 2002, under Mr Albers' management, Octanex and Strata acquired their interests in the Exmouth Joint Venture Project and the Dampier Joint Venture Project, as described in Section 2.2.

In October 2002, Mr Albers sponsored the formation of National Gas Group Ltd, a company intending to seek a PDF licence in order to carry out niche investment in upstream natural gas and gas processing.

#### **Mr C R Hart**

Christopher Hart began his professional career in the health sciences field. He has lectured extensively and acted as a board member of various corporate and civic bodies. He is the Managing Director of MEO. Over the past fourteen years he has been actively involved in the upstream oil and gas industry, serving as an executive director or director for a number of companies, including BSG, Octanex, and Cue Energy. He has consulted directly to various oil and gas companies, including Boral Energy Ltd.

The primary focus of Mr Hart's activities in the past has been in the area of gas marketing and the identification of the most appropriate mechanism for the commercialisation of gas resources. This focus led to repowering and privatisation proposals for both the Newport Power Station in Victoria and the Bell Bay Power Station in Tasmania, where Mr Hart managed conceptual, general engineering and Government liaison activities. In addition to these activities Mr Hart formulated upstream development scenarios for the Yolla gasfield, involving the concept of landing Yolla gas in Victoria near Geelong. This included the management, on behalf of Boral, of the commencement of the statutory government and environmental approvals process for this concept.

In 1995 Mr Hart joined the board Timor Sea Petroleum NL, the original tenement holder of the Evans Shoal gasfield. He served as Chairman of the company's Audit Committee for seven years and carried the same responsibilities in Natural Gas Australia Ltd. In 2001 he was appointed Managing Director of MEO where he has principally been involved in formulating and developing the strategies for offshore methanol and LNG production concepts, including the Tassie Shoal Methanol Project (TSMP), the Timor Sea LNG Project (TSLNGP) and various upstream gas production options to supply these projects. Mr. Hart has developed and managed each aspect of the engineering, design, commercial and economic feasibility reviews and has initiated and managed the Commonwealth Environmental Impact Assessment processes, including the required specialist studies, for the TSMP and TSLNGP.

#### **Mr A P Armitage**

Peter Armitage began his professional career over 35 years ago with an international accounting firm, specialising in start-ups and work-outs. After qualification he was invited into partnership of a national firm that he maintained until he set up his own practice in 1978, of which he remains principal.

Since the mid '70's he has been involved with the mining, oil and gas sectors becoming a director of a number of listed exploration companies in both Australia and New Zealand concentrating on fiscal aspects of project modelling and procurement of capital.

Mr. Armitage has also been involved in various consulting assignments in Peoples Republic of China, Canada, USA, Hong Kong and UK for Fortune 500 companies.

#### **Mrs P J Albers**

Pamela Albers has had more than 35 years of commercial experience ranging from management and proprietorship of small business operations to 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 past 15 years.

She has been a director of the Company since 1996 and, during this time, Albers' family companies have supported Octanex's expansion into direct exploration activities with appropriate services and financial assistance.

Mrs Albers has a strong background in human resources, health and safety, and in public relations.

#### **Mr G A Menzies**

Graeme Menzies is a barrister and solicitor, having 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, Menzies & Partners. In the course of legal practice over the last 30 years, 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 or relisting of a large number of public companies ranging from junior exploration companies to substantial entities such as Homestake Gold Limited. Over recent years his activities have focused primarily on corporate reconstructions and capital raisings.

Mr Menzies has been a director of a number of public companies and is presently a director of Pooled Mining Investments Limited, a Pooled development fund with investments in a series of Australian incorporated companies carrying out oil and gas exploration and production activities in the United States of America. Mr Menzies is also a director of a number of other private unlisted companies.

He has previously received fees for professional services from the Company and he has, and will, receive fees for acting on behalf of the Company as set out in this Prospectus.

## 8. MANAGEMENT

The Company relies upon external consultants for services in relation to its direct oil and gas exploration activities. The Company's leading consultant is Strat Trap Pty Ltd, the principal of which is Dr Simon Sturrock.

### **Dr Simon Sturrock B.Sc. Hons Ph.D**

Simon Sturrock is a seismic interpreter and sequence stratigrapher with 18 years international and Australasian exploration and development experience, including 11 years with British Petroleum. Simon possesses a unique and powerful skills combination for stratigraphic prediction. He holds a proven track record in accurately predicting reservoir and seal distribution that has substantially reduced costs and assisted in the discovery of significant hydrocarbons. He has an extensive knowledge of practical sequence stratigraphy, and is highly experienced in applying these skills to field appraisal and development, exploration prospect and play fairway evaluation and risk analysis.

Simon established, and is a director of, Strat Trap Pty. Ltd., a successful geological interpretation consultancy based in Perth.

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

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

## INDEPENDENT EXPERTS

### 9. CONSULTING GEOLOGIST

Michael J Martin, Petroleum Geologist, has prepared the Consulting Geologist's Report on the geology and exploration potential of WA-322-P and WA-329-P in the Carnarvon - Exmouth sub-basin, and of WA-321-P, WA-323-P and WA-330-P in the Dampier sub-basin region of Australia.

His report is set out in Section 27 and should be read carefully and in its entirety.

Section 2 above sets out an overview of the projects reported on by Mr Martin.

Mr Martin is a practicing geologist and has been actively involved with international resources industries for more than 25 years. Mr Martin began his professional career in Kuwait and later the western Mediterranean offshore oil fields of Spain, prior to joining the burgeoning North Sea oil boom in the early seventies. Following assignments in London with Atlantic Richfield and Cities Service, he joined Getty Oil in their Perth, Western Australia office. After his departure from Getty, Mr Martin worked with the petroleum division of a major Australian mining house. Lately, he has been actively involved in exploring the Northwest Shelf hydrocarbon basins and other Southeast Asia basins as a consultant for numerous clients.

Mr Martin has been closely involved with the early development of a number of start-up companies in the oil exploration sectors in Australia and Indonesia. He has carried out assignments in a number of important and emerging petroleum basins around the world and has recently been instrumental in the identification of a large East African gas/condensate exploration project.

Mr Martin is a Fellow and Chartered Geologist, Geological Society of London as well as a member of each of the Petroleum Exploration Society, Great Britain, the Petroleum Exploration Society, Australia, the Canadian Society of Petroleum Geologists, the Norskpetroleumforening, Norway and the American Association of Petroleum Geologists.

### 10. ACCOUNTANT

Mr Ian Riley, Chartered Accountant, has prepared an Independent Accountant's Report showing the effect on the Company of the Issue and implementation of the proposals set out herein. His Report is set out in Section 26 and should be read carefully and in its entirety.

### 11. SOLICITOR

Corrs Chambers Westgarth, Solicitors, have prepared the attached title and native title report at the request of the Company. One permit, WA329-P, is overlapped by the Native Title Claim by the Gnulli people in claim NNTT No. WC97/28 in matter No. WG6161/98 in the Federal Court. WA329-P covers an area greater than 700km<sup>2</sup> and there is 10km<sup>2</sup> overlap with the Gnulli native title application (See Corrs Chambers Westgarth's report in Section 25).

## **FINANCIAL INFORMATION**

### **12. CAPITAL STRUCTURE**

The Company's capital presently comprises 19,409,671 fully paid ordinary shares.

On completion of the issue and allotment of Shares pursuant to this Prospectus (on the assumption that the issue is fully subscribed, but excluding over-subscriptions), and on the issue and allotment of 75,000 Shares and associated options to the Sponsoring Broker in satisfaction of the Sponsoring Broker's fee as referred to in Section 18.2, the Company's capital will increase to:

- 12.1 39,484,671 shares;
- 12.2 20,075,000 options to acquire ordinary shares exercisable at 10 cents up to 31 March 2005 on the terms set out herein;
- 12.3 20,075,000 options to acquire ordinary shares exercisable at 25 cents up to 30 June 2008 on the terms set out herein.

If the full amount of over-subscriptions are received, then the total number of shares on issue would increase to 46,984,671 shares and the number of options in each of the above classes would increase by 7,500,000 to 27,575,000 options.

In addition to the foregoing, it is proposed that, at the annual general meeting of the Company to be held on 19 November 2003, the non-executive directors being Messrs Hart, Armitage, Menzies and the Company Secretary, Mr Hill, will each be granted 200,000 options to acquire ordinary shares with those options forming part of the classes of options referred to in Section 12.2 above and being issued on the terms set out in Section 4.4(a) above. In addition, the Company proposes to grant a further 450,000 such options to employees and consultants. The Annual Report, Notice of Meeting and Proxy Form relating to the Annual General Meeting was despatched to members of the Company prior to the issue of this Prospectus. In accordance with the Act and, in particular Chapter 2E thereof, the Notice of Meeting for the Annual General Meeting contains full details relating to the proposed grant of those options to directors and officers.

If those resolutions are passed, and the options granted as proposed, then the number of options in the class referred to in Section 12.2 above will increase by a further 1,250,000 options.

The proposed grant of options is a related party transaction and the notice of meeting sets out full details in relation thereto.

### **13. FINANCIAL INFORMATION**

The Investigating Accountant's Report by Mr Ian Riley in Section 26, contains a summary audited statement of financial position of the Company as at 30 June 2003 together with pro forma statements of financial position based on those audited accounts and on the assumptions set out in his report. Applicants are recommended to read his report in full.

## **BUSINESS AND INVESTMENT RISKS**

### **14. RISK FACTORS**

In this summary of risks "Company" means Octanex NL or, where those risks relate to the carrying out of any operations involved in exploration activities, any subsidiary of the Company carrying out any such operations or activities. The business operations of each of the Company and any such entities will be subject to risks, which may impact adversely on its future performance. These risks may adversely affect the value of the relevant entity's assets and this may affect the value of any shares in the Company.

Other risks associated with investment in the Company include:

- 14.1 **share market risks.** Potential investors should recognise that the prices of shares fall as well as rise. Many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment.
- 14.2 **investment risks generally.** Risks of a general nature relating to investment in shares and securities generally and especially where the company in which the investment is made has a small market capitalisation.
- 14.3 **risks related to investment in resources.** Exploration and/or development of resources generally are subject to **high** levels of risk.
- 14.4 **fiscal risks.** These involve the imposition of additional taxes, imposts and other charges by government from time to time relating to revenue or cash flow. Industry profitability can be affected by changes in tax policies, the interpretation and application thereof.
- 14.5 **macro economic and political factors.** Apart from exchange risks there are a wide range of other macro economic and political factors beyond the control of the Company which will affect the Company's operations including the consequences of terrorist and other activities which themselves impact adversely on the global economy, demand for and supply of commodities and share market conditions and share prices generally.
- 14.6 **risks relating to commodity prices.** Commodities are subject to high levels of volatility in price and demand.
- 14.7 **political and other factors.** These include such as changes in levels of consumer confidence affect consumption patterns and consequently demand for a wide range of products including commodities such as oil and gas. Commodity prices may be subject to fluctuation because of a wide range of other factors including climate that result in seasonal changes in demand and supply and prices.
- 14.8 **sufficiency of funding.** The Company has limited financial resources and will need to raise additional funds from time to time. Any such fund raisings will be subject to factors beyond the control of the Company and its Directors.
- 14.9 **contract risks generally.** The Company will operate through a series of contractual relationships with operators and contractors. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed.
- 14.10 **litigation.** Neither the Company nor any of its subsidiaries are presently involved in litigation and the Directors are not aware of any basis on which any litigation against the Company or any of its subsidiaries may arise.
- 14.11 **regulatory risks.** Operations by the Company may require approvals from regulatory authorities which may not be forthcoming or which may not be able to be obtained on terms acceptable to the Company. While the Company has no reason to believe that all requisite approvals will not be forthcoming and whilst the Company's obligations for expenditure will be predicated on any requisite approvals being obtained Applicants should be aware that the Company cannot guarantee that any requisite approvals will be obtained. A failure to obtain any approvals would mean that the ability of the Company to develop or operate any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.
- 14.12 **production risks.** There can be no assurance given that the Company will achieve production from any of the projects referred to in this Prospectus. The capacity of the Company to achieve production will depend on a wide range of factors including capital costs and operating costs that may be applicable to the

individual projects and the capacity of the Company to fund those costs. If production is achieved then unanticipated problems may increase extraction costs and reduce anticipated recovery rates.

- 14.13 **drilling risks.** Risks in relation to future drilling include break-downs and the risk of a failure to find oil or gas in commercial quantities or at all.
- 14.14 **environmental risks.** The requirement that following cessation of production from operations, the Company will be required to participate in clean-up programs resulting from any contamination from operations in which it participates, removing disused plant and equipment and, where necessary, restoring land that has been disturbed in the course of operations. The cost of that cleanup may be considerable if operations result in significant environmental liabilities being incurred. In such a case, any allowance made for rehabilitation in the cash flow projections would be inadequate.
- 14.15 **climatic risks.** The risk of adverse weather conditions that may affect production and exploration.
- 14.16 **operational risks.** These include the possibility of environmental accidents, the risk of unexpected mechanical failure or equipment breakdown resulting in loss of production and additional expense generally, unexpected interruption to or imposition of onerous conditions on access, industrial disputes and resultant increases in costs of operation.
- 14.17 **discovery risks.** The Company's operations may not result in the discovery of any accumulation of oil or gas and any discovery may not be commercially viable or recoverable.

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

## MATERIAL CONTRACTS, RIGHTS AND OBLIGATIONS

Neither the Company nor its subsidiaries have entered into any material agreements, other than in the ordinary course of its business, which material contracts remain uncompleted or relevant to investment in the Company pursuant to this Prospectus, other than as set out below.

The Company has not guaranteed or provided any security for the performance of any of the obligations contained in the agreements detailed below.

### 15. EXPLORATION PERMITS: EXMOUTH

The Permits WA-322-P and WA-329-P were each granted pursuant to the Petroleum (Submerged Lands) Act by the Designated Authority for an initial six year period commencing on 22 March 2002 and 5 September 2002 respectively.

Each Permit provides rights to the holder to undertake exploration, including seismic surveys and drilling, in the defined area of each Permit.

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

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

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

The Permits require the holders to comply with the Act, the regulations and all directions made thereunder and to carry out operations with adequate measures for the protection of the environment and to carry insurance as directed by the Designated Authority.

The minimum work requirements applicable to each of Permits WA-322-P and WA-329-P for the past, current and next permit years are set out in Table A and B below.

**TABLE A – WA-322-P WORK REQUIREMENTS**

<i>Year of Term of Permit – commenced 22/03/2002</i>	<i>Minimum Work Requirements</i>
FIRST	Data Review
SECOND	1500km 2-D Seismic Survey
THIRD	Seismic Interpretation, Studies

**TABLE B – WA-329-P WORK REQUIREMENTS**

<i>Year of Term of Permit – commenced 05/09/2002</i>	<i>Minimum Work Requirements</i>
FIRST	Data Review, Acquisition of existing 3-D seismic data, geoscience studies
SECOND	750km 2-D seismic survey
THIRD	Seismic interpretation, geoscience studies

### Past Work Programs

Permits WA-322-P and WA-329-P were granted on 22 March 2002 and 5 September 2002 respectively, and are each in the Primary Term and are in good standing. The work program conducted has met Permit requirements.

## 16. EXPLORATION PERMITS: DAMPIER

Both of Permits WA-321-P and WA-323-P were granted pursuant to the Act by the Designated Authority for an initial six year period commencing on 22 March 2002, Permit WA-330P was granted on 5 September 2002. All of these permits are therefore in the primary three-year period. The Permit requirements are in near identical form for those in respect to the Exmouth permits.

The minimum requirements applicable to the Dampier Project permits for the past, current and next Permit year is set out in Table C, D and E below:

**TABLE C – WA-321-P WORK REQUIREMENTS**

<i>Year of Term of Permit – commenced 22/03/2002</i>	<i>Minimum Work Requirements</i>
FIRST	Data Review*
SECOND	1500km 2-D Seismic, Reprocessing, Studies
THIRD	500km 2-D Seismic Survey, Seismic Interpretation, Studies

**TABLE D – WA-323-P WORK REQUIREMENTS**

<i>Year of Term of Permit – commenced 22/03/2002</i>	<i>Minimum Work Requirements</i>
FIRST	Data Review*
SECOND	Reprocess 180km <sup>2</sup> of 3-D Seismic Data
THIRD	400km 2-D Seismic Survey

**TABLE E – WA-330-P WORK REQUIREMENTS**

<i>Year of Term of Permit – commenced 05/09/2002</i>	<i>Minimum Work Requirements</i>
FIRST	Data Review, geoscience studies*
SECOND	20km <sup>2</sup> 3-D seismic reprocessing, seismic interpretation, geoscience studies
THIRD	400km 2-D seismic survey

\* **Past Work Programs**

Permits WA-321-P, WA-323-P and WA-330P are all in good standing. The work program conducted has met Permit requirements.

## 17. OPERATING AGREEMENTS

### 17.1 Joint Venture Operating Agreements

Octanex and Strata entered into separate Joint Venture Operating Agreements (JVOA), both effective on 25 November 2002 for each of the Exmouth Project Permits and the Dampier Project Permits. Those JVOA's are in all respect are identical, except in regard to the permit number and permit area. Octanex has been appointed as Operator of each Joint Venture.

## **Interests**

Initial interests were Octanex (50%) and Strata (50%) in both the Exmouth Project and Dampier Project. RMMI has agreed to earn a 25% interest in the Exmouth Project (See Section 8.4). The participating interests are now as follows:

### ***Exmouth Project***

Octanex	37.5%
Strata	37.5%
RMMI	25.0%

### ***Dampier Project***

Octanex	50.0%
Strata	50.0%

## **Conduct of Joint Operations**

As operator of each Joint Venture, Octanex is responsible for the conduct of joint operations. The operator may resign as operator on 120 days notice, but is entitled to continue as operator in normal business circumstances unless it is removed by affirmative vote of two or more participants holding at least sixty-six (66%) percent of the Participating Interests.

Under the terms of each Joint Operating Agreement, Octanex, in its capacity as operator, is entitled to charge a fee of 5% on the first \$10,000,000 of direct expenditure in any calendar year.

## **Insurance**

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

## **Operating Committee**

In each JVOA a participant has the right to appoint one representative to serve on the operating committee, which has the power and duty to authorise and supervise joint operations. Each representative has a vote equal to its participating interest. Generally a 66% per cent affirmative vote by at least two joint venture participants (not being affiliates of one another) is required to pass a resolution. Some of the more important decisions require unanimity.

The operating committee shall consider exploration work programs and targets which are to be presented by the operator which shall be presented nine months (in a preliminary way) and three months (in final form) before the commencement of each permit year. The operating committee shall meet within 30 days of delivery of the final proposed work program and budget to agree a work program and budget for the ensuing year. Once a development plan for a commercial discovery is approved then the operator shall submit development and production plans and budgets to the operating committee seven months (in a preliminary way) and four months (in final form) in advance of the commencement of the next calendar year.

## **Authorisation for Expenditure**

Before incurring any expenditure, whether for exploration, appraisal, development or production, the operator shall submit an authorisation for expenditure to each participant. Each authorisation must be approved by the operating committee prior to expenditure being committed to or undertaken.

## **Sole Risk**

Where the operating committee does not approve a proposed exploration or appraisal well, a party may undertake the project as a sole risk project with the right of the non-participants to buy back in at a cost of 700% in the case of a discovery well and 600% in the case of an appraisal well where the premium to buyback is payable in cash with the premium increasing to 900% in the case of a discovery well and 800% in the case of an appraisal well where the premium to buyback is paid in kind (out of petroleum produced).

## **Default**

A party that fails to pay, when due, its share of joint venture expenditure is a defaulting party. A defaulting party shall not be entitled to attend operating committee meetings or to vote. The sum of money in default is to be allocated to and paid by the non-defaulting parties pro rata to their participating interests. Reasonable opportunity to cure a default will be given to a defaulting party. For a period of 30 days after the 45 days following a notice of default which has not been cured, the joint venture operating agreements state that each non-defaulting party shall have the option to give notice to the defaulting party to transfer its entire interest to the non-defaulting participants.

**Assignments**

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

**Cross Charge**

If the operating committee decides to develop a discovery, the parties are required to charge their joint venture interests and shares of petroleum produced in favour of one another in order to secure the performance of their respective obligations under the relevant Joint Venture Operating Agreement.

**Withdrawal**

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

**17.2 Farmout Agreement with RMMI**

By an agreement with Octanex and Strata made on 3 March 2003, RMMI agreed to acquire a 25% interest in the two petroleum exploration permits; WA-322-P and WA-329-P. The transaction was approved and registered by the Designated Authority on 12 April 2003. Each of Octanex and Strata gave up 12.5%, with Octanex and Strata each now holding 37.5%. In the terms of the Agreement RMMI had agreed to earn the 25% farmin interest by funding an amount of approximately US\$950,000 in meeting the costs of acquiring pre-existing seismic data within the Exmouth Project Area and paying 50% of the costs of shooting an aggregate 2,250 kms of new 2-D seismic surveying over the two tenements, WA-322-P and WA-329-P.

**18. OTHER AGREEMENTS****18.1 Agreement with Great Missenden Holdings Pty Ltd to Provide Work Station, Facilities and Services, and Geological Data**

Pursuant to an agreement between the Company and Great Missenden Holdings Pty Ltd, a company of which directors of the Company, Mr E G Albers and Mrs P J Albers, are directors and shareholders, Great Missenden Holdings Pty Ltd has:

- (a) made available in Perth Western Australia, on a non exclusive basis, both a Geoquest work station, including all hardware and printing equipment, and a Kingdom work station and various support facilities and equipment in consideration of Octanex paying an agreed current monthly charge of \$4,000.00 (including GST), effective 1 July 2003, subject to review in proportion to any increase in lease fees and outgoings payable by Great Missenden Holdings Pty Ltd in respect of such items. Either Great Missenden Holdings Pty Ltd or Octanex may terminate these arrangements on 3 months written notice to the other. The total amount payable to Great Missenden Holdings Pty Ltd on account of this agreement is an aggregate amount of \$12,000.
- (b) agreed to provide access and use of geophysical data by the Exmouth Project. The Company has previously accrued an amount of \$175,000 in its accounts for year ended 30 June 2002 in respect of such access and use.

**18.2 Sponsoring Broker Agreement with Pritchard & Partners Pty Limited**

The Company has entered into an agreement with Pritchard & Partners Pty Limited ("Sponsor") under which the Sponsor has agreed to sponsor the Company's admission for listing on NSX. The Company, as issuer, has appointed the Sponsor as sponsoring broker and conferred on the Sponsor all powers, authorities and discretions on behalf of the Company which are necessary for, or reasonably incidental to, the Sponsor's obligations under the agreement and under the Listing Rules. The Company has agreed to ratify and confirm whatever the Sponsor lawfully does in the exercise of such powers, authorities and discretions. Under the agreement, the Sponsor is to provide the Company with fair and impartial advice and guidance as to the application of the Listing Rules, ensure that the necessary documentation supporting an application for listing by the Company are lodged with NSX and submit a sponsorship declaration to NSX, before trading in the Company's securities commences on NSX.

Under the Listing Rules, the Sponsor must lodge a declaration to the effect that, inter alia:

- (a) to the best of the Sponsor's knowledge and belief, at the time trading commences on NSX, at least 25% of the issued securities will be in the hands of the public in accordance with the Listing Rules;
- (b) to the best of the Sponsor's knowledge and belief, having made due and careful enquiry of the issuer and its advisers, the issuer has satisfied all relevant conditions for listing and other relevant requirements of the Listing Rules;

- (c) all requirements of the Listing Rules have been complied with and that there are no matters other than those disclosed in the Prospectus or otherwise in writing to NSX which should be taken into account by NSX in considering the suitability for listing of the securities for which application is made;
- (d) the directors of the Company have had explained to them the nature of their responsibilities and obligations as directors of a listed corporation under the Rules and, in particular, that they understand what is required of them to enable holders of the Company's listed securities and the public to appraise the position of the Company and avoid the creation of a false market in its securities once they are listed;
- (e) the Sponsor has obtained written confirmation from the Company that the working capital available to the issuer and its related entities is sufficient for its present requirements.

The Company agrees to apply for listing through the Sponsor and to use all reasonable endeavours to obtain approval and to do everything reasonably required of it by the Sponsor in order to obtain such listing and to allow the Sponsor to fulfil its obligations to the Company as the issuer.

The agreement incorporates a representation and warranty by the Company, as issuer, to the Sponsor, with such representations and warranties continuing through the sponsorship period, as defined in the agreement, to the effect that all information or statements of opinion or intention provided by the Company as issuer are true, accurate and complete in all material respects, will not be or are not misleading and will not or do not contain any material omissions. The agreement imposes on the Company, as issuer, an obligation to notify the Sponsor immediately it becomes aware that any information or statements of opinion or intention provided by it are misleading or are not true or accurate.

The representation and warranty by the Company in the agreement parallels the obligation of the Company pursuant to the provisions of the Act.

Under the agreement the Sponsor will be paid a fee of A\$7,500 plus GST with GST payable in cash and the balance to be satisfied by the issue of shares credited as fully paid in the capital of the Company at an issue price of A\$0.10 per share together with associated options in like manner as to be issued under the terms of the Offer.

### **18.3 Nominated Adviser's Agreement with Salmon Giles Pty Ltd**

Listing Rules require a company seeking admission to NSX to appoint a nominated adviser to assist the company seeking listing with the admission procedures and compliance with the ongoing obligations of that company under those Listing Rules. The Company has appointed Salmon Giles Pty Ltd as its required nominated adviser. Under the agreement the obligation of the nominated adviser is to help the Company's Board with the application process by ensuring that the directors of the Company have been guided and advised on their responsibilities and obligations under the Listing Rules. In addition, Salmon Giles Pty Ltd is required also to explain the operation of the Listing Rules to the directors, as appropriate.

Under the agreement Salmon Giles Pty Ltd will charge the Company an amount of A\$5,000 per annum for provision of these services.

### **18.4 Underwriting Agreement**

The Company has entered into an underwriting agreement with Great Missenden Holdings Pty Ltd, which is an associate of Mr E G Albers and Mrs P J Albers, directors of the Company, on the terms set out in Section 5 above.

## **ADDITIONAL INFORMATION**

### **19. SHARES: RIGHTS AND LIABILITIES**

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

#### **19.1 Ranking**

The Shares will be ordinary shares and will rank equally in all respects with the existing ordinary shares in the Company.

#### **19.2 Partly Paid Shares and Liability for Calls**

The Company is a no liability company and under the provisions of the Corporations Act 2001 members holding partly paid shares are not liable to pay calls or make contributions in the event of the winding up of the Company, other than in circumstances where shares were issued subject to a specific call program at the time of issue. At present there are no partly paid shares on issue.

#### **19.3 Reports and Notices**

Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of the Company and the Act.

#### **19.4 General Meetings**

Members are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Act and the Constitution of the Company.

#### **19.5 Voting**

At a general meeting of the Company every ordinary member present in person, or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every share held. A qualification to the above is that where a person is present at a meeting as proxy or representative for more than one member then on a show of hands that person shall have only one vote and not one vote for each person represented by him.

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

#### **19.6 Dividends**

The Directors may declare and authorise the distribution, from the profits of the Company, of dividends to be distributed to members according to their rights and interests.

#### **19.7 Reduction of Capital**

The Company may only reduce its capital in such manner as may be permitted by the provisions of the Act from time to time.

#### **19.8 Borrowing and Lending Powers**

The Company may borrow and lend in such manner as may be permitted by the provisions of the Act from time to time.

#### **19.9 Winding Up**

Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them respectively, less any amount which remains unpaid on their shares at the time of distribution.

#### **19.10 Transfer of Shares**

Subject to the Constitution of the Company and the Act the shares will be freely transferable.

#### **19.11 Future Increases in Capital**

The allotment and issue of shares is under the control of the Directors of the Company. Subject to restrictions on the allotment of shares to Directors or their Associates contained in the Constitution of the

Company and the Act, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

#### 19.12 Variation of Rights

The rights, privileges and restrictions attaching to ordinary shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three-quarters majority of those holders who, being entitled to do so, vote at that meeting or with the written consent of the holders of at least three-quarters of the ordinary shares on issue, within two months of that general meeting.

#### 19.13 Directors

The Constitution of the Company contains provisions relating to the rotation of Directors (other than managing directors and alternate directors).

### 20. CORPORATE GOVERNANCE

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

One of the key objectives of the Board is to ensure timely, transparent and accurate communication with all members and compliance with all regulatory requirements.

**Given that the Company is small, with limited activities and limited resources, it has not established a series of committees to address specific areas of corporate governance such as risk management, strategic review and operations and remuneration. These issues will be dealt with by the board as whole, with any interested directors abstaining or being absent as required either by the Act or, as necessary, to avoid conflict or possible breach of their fiduciary duties.**

**However, the Board has established an Audit and Compliance Committee, the objectives of which are set out below.**

The members of this Committee are all of the directors of the Company, the Company Secretary (Mr David Hill) and a representative of the auditor of the Company.

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

The Board believe that, having raised funds from the public, it has a responsibility to ensure that accountability exists. The focus of the activities of this Committee is to increase confidence in the credibility and reliability of financial statements and other financial information released to the public.

#### *Objectives*

- Provide enhanced public confidence in the credibility and objectivity of financial information released to the public.
- Demonstration of the Board's intention to exercise due care in reviewing financial information and in fulfilling legal responsibilities.
- Improved quality of financial reporting.
- Augment Non Executive Directors' knowledge and understanding of financial information.
- Increase focus on the corporate risk profile of the Company, including the level of authority delegated to management by the Board.
- Provide an insight to the Directors of the Company in respect to the accounting and control systems that exist within the Company and management action to maintain and improve them.
- Assist the Company Secretary and/or auditor by providing a forum in which to raise issues of concern.
- Increase Directors' understanding of the nature and scope of the audit.
- Provide a framework within which the auditor can assert their independence in the event of any dispute with management.
- Provide improved communication between the auditor and the Board.

#### **Responsibilities**

The Committee shall consider any matters relating to the financial affairs of the Company, compliance with statutory and NSX listing requirements and issues relating to internal and external Audit. In addition, the Committee shall examine any other matters referred to it by the Board.

The duties of the Committee are as follows:

- review financial reports and other financial information distributed externally and determine whether or not to recommend their acceptance by the Board;

- monitor corporate risk assessment and internal controls instituted and implement internal controls to manage those risks;
- monitor the establishment of an appropriate internal control framework, including information systems, and consider enhancements;
- review audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- review the nomination and performance of the auditors;
- liaise with the auditors and ensure that the annual and half-year statutory audits are conducted in an effective manner;
- monitor the procedures in place to ensure that the Company is in compliance with the Corporations Act 2001, NSX Listing Rules, its Constitution and other legislative and reporting requirements. This includes implementing a reporting system that meets formulated standards for public announcements made by the Company to ensure that shareholders and financial markets are adequately and properly informed in order to meet the continuous reporting requirements of the Corporations Act 2001 and the listing rules of Newcastle Stock Exchange Limited;
- review reports on any major defalcations, frauds and thefts from the Company;
- review the declaration from the Company Secretary on compliance with statutory responsibilities;
- ensure that a corporate Code of Ethics is established and periodically reviewed;
- initiate and supervise special investigations;
- review risk management practices;
- review policies to avoid conflicts of interest and review past or proposed transactions between the Company and members of management;
- review related party transactions and consider the adequacy of disclosure of those transactions in the financial statements;
- review reports on certain aspects of the Company's superannuation commitments and compliance with relevant laws and regulations;
- review reports on the adequacy of insurance coverage;
- formulate, review and monitor compliance with and investigate allegations of a breach of appropriate internal controls and reporting standards, mechanisms and procedures to ensure that the Board is informed at all times of all material corporate governance matters affecting the Company; and
- formulate and update, for submission to the Board for its approval, a statement of corporate governance principles and other associated documents dealing with, amongst other matters:
  - the structure and responsibilities of the Board;
  - the proper relationship between the Board and management, including (at the appropriate time) the proper relationship between the roles of Chairman and Managing Director;
  - the responsibilities of management;
  - the proper relationships between the Company and its shareholders, suppliers and customers and employees;
  - business dealings, in particular related party transactions, by Directors, management and employees giving rise to actual or potential conflicts of interest, and appropriate disclosure of such dealings;
  - ethical and other matters considered by the Committee to be relevant to good corporate governance practice;
- monitor compliance with the statement of corporate governance principles and to review or investigate allegations of a breach of the statement or of good corporate governance practice and to report to the Board in respect of such compliance, reviews and investigations at least annually, or more frequently if circumstances require;
- formulate, for Board approval and review, and to facilitate the implementation of appropriate procedures to enable individual Directors to have access to independent professional advice, as considered necessary, in respect of corporate governance matters; and
- act as a resource for individual Directors and the Company as a whole on questions of corporate governance and corporate ethics, including providing decisions and/or advice on such matters as are referred to the Committee by the Chairman of the Board or the Managing Director.

## **21. CORPORATE STRUCTURE**

The Company has a wholly owned subsidiary: Octanex Operations Pty Ltd, which holds certain of the entity's investments reported on herein.

## **22. DIVIDEND POLICY**

The Company will not pay dividends in the foreseeable future.

## 23. CONSENTS

**Michael J Martin** has given and not withdrawn his written consent to be named herein as a Consulting Geologist to the Company in the form and context in which he is so named. In addition, he has given and not withdrawn his written consent to the despatch of this document with his independent report as contained herein being included herein and to references thereto being included either expressly or by inference herein in the form and context in which they are included. Michael J Martin has had no involvement in the preparation of this document other than the inclusion of its report and has not given any professional or other advice in respect of any other part of this document. Michael J Martin does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this document.

**Ian Riley** has given and not withdrawn his written consent to be named herein as Independent Accountant in the form and context in which he is so named.

In addition, he has given and not withdrawn his written consent to the despatch of this document with his independent accountant's report all as contained herein, all being included herein, and to all references thereto being included either expressly or by inference herein, in the form and context in which such report and all references to such report are so included.

Ian Riley has had no involvement in the preparation of this document other than the inclusion of such report and has not given any professional or other advice in respect of any other part of this document. Ian Riley does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this document.

**Corrs Chambers Westgarth**, Solicitors, have given and not withdrawn their written consent to be named herein as Solicitor to the Company in relation to the title and native title report only. In addition, they have given and not withdrawn their written consent to the despatch of this document with their title and native title report as contained herein being included herein and to references thereto being included either expressly or by inference herein in the form and context in which they are included. Corrs Chambers Westgarth have had no involvement in the preparation of this document other than the inclusion of their report and have not given any professional or other advice in respect of any other part of this document. Corrs Chambers Westgarth do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this document.

**PKF**, Chartered Accountants and Business Advisors have given and not withdrawn their written consent to be named in this Prospectus as auditor of the Company in the form and context in which it is so named. In addition PKF consents to references to its Independent Audit Report for the financial year ended 30 June 2003 being included in Section 13 hereof in the form and context in which it is included and with all references to that report being included in the Investigating Accountants Report by Mr Ian Riley being included in his Investigating Accountant's Report included herein in the form and the context in which those references are included.

PKF has had no involvement in the preparation of the Prospectus other than the consent to the inclusion of those references and has not given any professional or other advice in respect of any part of the Prospectus. PKF does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of the Prospectus.

**ASX Perpetual Registrars Limited** has given and not withdrawn its written consent to be named herein as the share registry to the Company in the form and context in which it is so named. In addition, it has given and not withdrawn its written consent to the despatch of this document. ASX Perpetual Registrars Limited has had no involvement in the preparation of this document and has not given any professional or other advice in respect of any part of this document. ASX Perpetual Registrars Limited does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this document.

**Pritchard & Partners Pty Limited** – Pritchard & Partners Pty Limited has given and not withdrawn its written consent to be named in the Prospectus as the Sponsoring Broker and/or Sponsor for the Company in relation to its application for listing on the Stock Exchange of Newcastle Limited in the form and context in which it is so named. In addition, it has given and not withdrawn its written consent to the despatch of the Prospectus with all references to it in such capacity being included in the Prospectus in the form and context in which they are so included.

Pritchard & Partners Pty Limited has had no involvement in the preparation of the Prospectus and has not authorised or caused the issue of any part of the Prospectus, other than the inclusion of its name as the Sponsoring Broker and /or Sponsor and such references thereto, in the form and context in which they are included in the Prospectus, nor has Pritchard & Partners Pty Limited given any professional or other advice in respect of any other part of the Prospectus. Pritchard & Partners Pty Limited does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of the Prospectus.

**Salmon Giles Pty Ltd** – Salmon Giles Pty Ltd has given and not withdrawn its written consent to be named in the Prospectus as the Nominated Adviser to the Company required under the Listing Rules of the Stock Exchange of Newcastle Limited in the form and context in which it is so named. In addition, it has given and not withdrawn its

written consent to the despatch of the Prospectus with all references to it in such capacity being included in the Prospectus in the form and context in which they are so included.

**Great Missenden Holdings Pty Ltd**, – Great Missenden Holdings Pty Ltd has given and not withdrawn its written consent to be named in the Prospectus as the Underwriter to the Issue in the form and context in which it is so named. In addition, it has given and not withdrawn its written consent to the despatch of the Prospectus with all references to it in such capacity being included in the Prospectus in the form and context in which they are so included.

**Dr Simon Sturrock** - Dr Simon Sturrock has given and not withdrawn his written consent to the inclusion in Section 8 of the statements made in relation to him in the form and context in which they are so included. Dr Sturrock has had no involvement in the preparation of this document other than the inclusion of those statements and has not given any professional or other advice in respect of any other part of this document. Dr Sturrock does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this document.

## 24. INTERESTS OF DIRECTORS: OTHERS

Except as otherwise set out herein, no Director, expert or professional adviser named herein now has or during the last two years has had any interest in the promotion of the Company, or any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer. Further, no sums have been paid or agreed to be paid to a Director, expert or professional adviser in cash or shares or otherwise by any person (in the case of a Director) either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him in connection with the promotion or formation of the Company or the Offer or (in the case of an expert or professional adviser) for services rendered by the expert or professional adviser in connection with the promotion or formation of the Company or the Offer save and except that:

### 24.1 Interests of Advisors and Named Persons

In accordance with the terms of their engagement, **Ian Riley** has prepared his independent report contained herein and which form part of this document. In aggregate, Ian Riley will be paid A\$3,000 by the Company for services performed up to the date hereof.

In accordance with the terms of his engagement, **Michael J Martin** has prepared his Independent Report that forms part of this document. In aggregate, Michael J Martin has been or will be paid \$4,500 in respect thereof.

In accordance with the terms of its engagement, **Corrs Chambers Westgarth** have prepared their Independent Report that forms part of this document. In aggregate, **Corrs Chambers Westgarth** will be paid professional fees of A\$4,044.70 in respect thereof (inclusive of disbursements).

In accordance with the terms of the Sponsoring Broker's Agreement, **Pritchard & Partners Pty Limited** will be paid a fee of A\$7,500 plus GST payable in shares and options as set out in Section 18.2.

In accordance with the terms of the Nominated Adviser's Agreement, **Salmon Giles Pty Ltd** will be paid a fee of A\$5,000 per annum plus GST (See Section 18.3).

In accordance with the terms of the Underwriting Agreement, **Great Missenden Holdings Pty Limited** will be paid underwriting fees and commission as set out in Section 5 above.

At the date hereof no such payments have been made, save as set out herein. Save as set out herein, all such payments made in the previous period of two years have been paid or are payable in cash.

### 24.2 Interests of Directors and the Company Secretary

The Directors and the Company Secretary:

- (a) hold shares and interests, as set out herein;
- (b) are entitled to subscribe for Shares and options pursuant to this Prospectus.
- (c) are entitled to be remunerated or receive benefits from the Company as follows;

#### (i) Directors' Remuneration

Under the Company's Constitution, the Directors are entitled to be paid such remuneration not exceeding an amount that is authorised by an ordinary resolution of the Company in general meeting (other than in relation to remuneration of managing or executive directors). The Directors are currently entitled to receive up to \$60,000p.a. to be divided between them as directors' fees. They plan to pay the Chairman of the Company at the rate of \$20,000p.a. and each other director at the rate of \$10,000p.a. for the 2004 calendar year.

If a Director undertakes any work additional to that usually required of Directors of a Company similar to this Company, the Directors may award such special remuneration and fix the amount hereof at any time during or after the rendering of such special service or the undertaking of such additional work. Directors are also entitled to travelling expenses for or in connection with any journeys undertaken by them on the Company's business.

The remuneration of any managing director or executive director for his services shall be determined by the Directors.

(ii) **Directors' and Officers' Relevant Interests in Securities**

The relevant interests of the directors, and their related parties as defined in Accounting Standard AASB 1017, in securities of the Company, as at the date of this Prospectus are as follows:

<b>Director/Officer</b>	<b>Ordinary Shares</b>	<b>Options*</b>
E Geoffrey Albers**	9,607,026	0
Christopher Hart	1,104,995	200,000
Pamela J Albers**	4,493,968	0
A P Armitage	50,000	200,000
Graeme A Menzies	nil	200,000
David B Hill	92,675	200,000

\* Options proposed to be granted at Annual General Meeting of Members of the Company on 19 November 2003. (See Section 24.3.)

\*\* Includes shares in which each of E.G. Albers and P. J. Albers each have a deemed relevant interest within the meaning of the Act.

**24.3 Proposed grant of Options to Directors and Officers**

The Company proposes that, at the Annual General Meeting to be held on 19 November 2003, resolutions will be put to the members to approve the grant of 200,000 options to each of Messrs Hart, Armitage and Menzies (being directors of the Company) as well as Mr David Hill (the Company Secretary). The grant of these options would be a related party benefit requiring approval under Chapter 2E of the Act.

**24.4 Agreements with Directors**

The Company has entered into agreements with each Director with respect to their services as a Director. In general terms, these agreements require each Director to contribute part of his director's fee by way of participation in the Directors' Share Savings Plan (see Section 24.5), permits the Director to be indemnified by the Company and allows the Director to have access to the books and records which relate to his period of service as an officer of the Company.

**24.5 Directors' Share Savings Plan**

The Board has established a Directors' Share Savings Plan (the "Savings Plan"). All of the present Directors have agreed to be subject to the Savings Plan and all future directors will be required to become signatories. It requires each Director to contribute not less than 50% of the director's fees toward the purchase of shares in the Company.

The principal rationale for the Savings Plan is to align the interests of members and the Directors.

The Savings Plan establishes a process by which Directors can determine the makeup of their compensation package. Apart from being required to contribute not less than 50% of their remuneration toward the purchase of shares in the Company, the Savings Plan allows for up to 100% of their remuneration to be so allocated.

The following are some of the features of the Savings Plan:

- The Directors' remuneration will continue to be fixed as a monetary sum.
- Once listed on NSX, the Savings Plan does not involve the issue of any new security but the purchase of existing shares in the Company.
- The Trustee under the Savings Plan is charged with the responsibility for buying shares with money otherwise payable as directors fees during a period of 30 days following receipt of a duly signed and completed form of election for shares.

- Subject to the Remuneration and Nomination Committee exercising its discretion otherwise, all shares purchased under the Savings Plan cannot be dealt with during the first six months of acquisition.

#### 24.6 Director's Retirement Benefits

The Company has entered into an agreement with Mr Albers in respect of his services as a director of the Company. The agreement includes provision for the payment of a benefit in connection with the retirement of Mr Albers as a director of the Company. The benefits were previously approved by members of the Company. The agreement with Mr Albers provides for a lump sum retiring allowance, based on his Director's emoluments and the period for which Mr Albers served as a director of Octanex at the time of his retirement, to be calculated as follows:

(a) **15 or more years of service:**

Five times the average yearly emoluments paid by the Company to Mr Albers (during the last 3 years of service) as a director.

(b) **Between 3 and 15 years:**

One third of the average yearly emoluments paid by the Company to Mr Albers (during the last 3 years of services) for each completed year of service and proportionately for part of a year, as a director of the Company.

The agreement provides that since Mr Albers has served as a director of Octanex from 2 October 1984, the date of commencement of his services for the purpose of calculating the benefits payable on the above basis, shall be that date. As at 30 June 2003, benefits of \$36,333 had been accrued under this agreement.

#### 24.7 Other Interests in Property or Payments

Other than as set out herein, no Director, and no firm in which a Director is a partner, has an interest in the promotion of, or in any property proposed to be acquired by the Company and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any Director or to any firm in which a Director is a partner, either to induce him to become, or to qualify him as a Director or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company.

The Company has entered into agreements with its directors and interests associated with them under which those directors and interests have advanced money to the Company or provided services to the Company.

Insofar as Mr E G Albers and Mrs P J Albers are concerned:

- they have personally lent moneys to the Company totalling of \$112,561.31 as at 30 June 2003, as reflected in the Company's accounts as at that date. An amount of \$25,000 has since been repaid;
- Bass Strait Group Pty Ltd, a company of which they are directors and shareholders, has likewise lent money to the Company totalling \$171,027.16 as at 30 June 2003, as reflected in the Company's accounts as at that date. An amount of \$20,000 has since been repaid;
- Great Missenden Group Pty Ltd, also a company of which they are directors and shareholders, has likewise lent money to the Company totalling \$84,957.07 as at 30 June 2003, as reflected in the Company's accounts as at that date. None of which has been repaid.
- Great Missenden Holdings Pty Ltd (the Underwriter), and also a company of which they are directors and shareholders, has provided the Company, in the ordinary course of its business, secretarial services and office facilities at Level 25, 500 Collins Street, Melbourne for a fee totalling \$20,000.00 as at 30 June 2003, as reflected in the Company's accounts as at that date, none of which has been paid.
- Great Missenden Holdings Pty Ltd is due to be paid fees for the period from 1 July 2003 for the management of project operations in relation to all of the Company's interests in its tenements and projects. The total amount paid to Great Missenden Holdings Pty Ltd on account of this agreement since 30 June 2001 is an aggregate amount of \$33,932.15, which, as at the date of this Prospectus, remains outstanding.
- Great Missenden Holdings Pty Ltd has agreed to procure and provide access to and use of a substantial quantity of reprocessed 2D and 3D geophysical data, mainly in relation to the Exmouth Project. The Company has previously accrued an amount of \$175,000 in its accounts for year ended 30 June 2002 in respect to such data and this amount was outstanding at 30 June 2003 and remains outstanding.

Insofar as Mr C R Hart is concerned, PetroEx Pty Ltd provides his services. The total amount payable to PetroEx Pty Ltd on account of provision of Mr Hart's services since 30 June 2001 is an aggregate amount of

\$8,000 which is included in an amount of \$25,524.00 outstanding as at the date of this Prospectus. The difference of \$17,524.00 relates to amounts for fees for services provided prior to 30 June 2001.

Insofar as Mr Armitage is concerned, he provides commercial management services to the Company. The total amount paid to Mr Armitage on account of those services since 30 June 2001 is an aggregate amount of \$8,036 of which an amount of \$2,000 plus GST remains outstanding as at the date of this Prospectus.

**The above amounts, outstanding as at 30 June 2003, are included in the \$713,051 of liabilities to be repaid, as set out in the Application of Funds statement in Section 1.4.**

Insofar as Mr Menzies is concerned, he has provided legal services to the Company in relation to the preparation of this Prospectus and associated matters and is entitled to be paid an aggregate amount of \$40,000 plus GST in relation thereto, of which \$25,000 plus GST associated therewith has been paid as at the date hereof.

#### 24.8 Performance Plan

The Board wishes to promote the ownership of shares by key executives of, and consultants to, the Company so as to provide incentives and meet aspirations for wealth creation, with benefits for both the participants and all Octanex members. To this end, the Company proposes the adoption of a Performance Plan at the Annual General Meeting to be held on 19 November 2003. That plan contemplates that equitable rights be made available to participants in the form of Performance Rights ("PRs") and, on attainment of certain performance conditions for the acquisition of the shares in the Company in satisfaction of the PRs. The Performance Plan will be available for inspection at the Company's registered office for 28 days prior to the Annual General Meeting. The following is a summary of the key aspects of the Performance Plan. Applicants should note that, at this stage, no PR's are proposed to be granted under the Performance Plan to any director or officer and that, when and if they are, they will constitute related party benefits which will require the prior approval of the members in general meeting, all in accordance with Chapter 2E of the Act.

##### (a) Issue of Performance Rights

The PRs are to be made available by a trustee of a special purpose trust established by the Company, subject to fulfilment of the prescribed Performance Conditions. The issue of PRs triggers a requirement for the trustee to acquire Octanex shares for the benefit of participants.

##### (b) Performance Conditions

The Performance Conditions will be determined by the Board after consultation with the participants and require the attainment of substantial targets, the achievement of which constitute a fundamental benefit to the Company.

##### (c) Acquisition of Underlying Shares

Where a Performance Condition is attained, the trustee shall acquire shares in Octanex, on the participant's behalf, to satisfy the vesting of the PRs. Octanex will meet the full cost of the shares, and may direct the trustee to acquire the shares either on-market or (in limited circumstances) by subscribing for a new issue of shares. The trustee will, until the time of vesting of a PR, hold the Octanex shares on the terms of the trust.

##### (d) Vesting Periods

The annual maximum number of PRs will only be exercisable if sufficient PRs have been earned following successful performance in relation to financial, operational and strategic objectives. All hurdles that the Board has determined in consultation with the participant must be met before the maximum number of PRs will be exercisable. The Board will also set threshold levels of performance below which no PRs will be exercisable. For certain targets stipulated by the Board, performance between the threshold and target levels will result in a number of PRs becoming exercisable at the Board's discretion, on a sliding scale where a significant or equitable level of achievement has been demonstrated.

##### (e) Rights Attaching to PRs

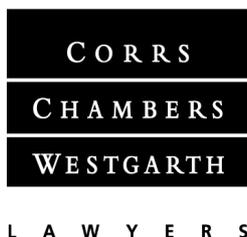
Each PR is a right, subject to the terms of the Performance Plan, to acquire an Octanex share and is not transferable.

The number of Octanex shares that may result from the exercise of PRs shall be adjusted to take account of any changes to the capital structure of the Company.

If a takeover offer was to be made to the Company's share capital, the participant will be permitted to exercise some or all of the PRs that have been earned, notwithstanding that vesting may not yet have occurred.

# REPORTS

## 25. TITLE AND NATIVE TITLE REPORT



The Directors  
Octanex NL  
Level 25  
500 Collins Street  
MELBOURNE VIC 3000

Dear Sirs,

### PETROLEUM EXPLORATION PERMIT TITLE AND NATIVE TITLE REPORT

You propose that Octanex NL ("the Company") issue a prospectus relating to a proposed issue of shares to raise a minimum amount of \$1,500,000 in support of an application for admission of the Company to quotation on the Newcastle Stock Exchange. You have asked us to complete the following ("Instructions") to:

- (a) carry out petroleum exploration permit searches;
- (b) prepare a title report; and
- (c) prepare a native title report,

in relation to petroleum exploration permits Nos. WA-321-P, WA-322-P, WA-323-P, WA-329-P, and WA-330-P, (collectively the "Exploration Permits"). Our work has been limited to the Instructions.

#### 1. PROCESS AND QUALIFICATIONS

##### 1.1 Process

Our investigations and enquiries in relation to the Exploration Permits, title and native title have been limited to a review of:

- (a) the materials made available for review directly by Menzies and Partners being copies of the Exploration Permits;
- (b) the results of the following searches of publicly available information (together the "Materials"):
  - (i) Department of Mineral and Petroleum Resources ("DMPR") searches in relation to the Exploration Permits; and
  - (ii) a search of native title claims with the National Native Title Tribunal.

##### 1.2 Qualifications

The investigations and review undertaken by Corrs in relation to the Exploration Permits, title and native title issues have been conducted within certain limitations, namely:

- (a) the various qualifications we have noted in this report;
- (b) the limited scope and purpose of this report;
- (c) the documents reviewed and searches undertaken by Corrs are limited to those identified in this report. Given the specific scope of the investigations by Corrs this report may not disclose all material circumstances or information in relation to the subject matter;
- (d) all title and public register inquiries are valid only at their date and cannot be relied on as being accurate thereafter; and
- (e) not all of the files relating to the Exploration Permits have been examined and documents which are not publicly available from the DMPR have not been examined.

## 2. EXPLORATION PERMITS AND TITLE REPORT

An overview of the Exploration Permits and the title detail search results obtained on 30 September 2003 are contained in the attached Schedule.

The DMPR issues a notice of intention to cancel an exploration permit where the work requirements for the exploration permit have not been met. This notice will be shown on the extract for the exploration permit. There are no such notices shown on the extracts for the Exploration Permits.

There appear to be no issues of concern.

## 3. NATIVE TITLE

The search from the National Native Title Tribunal conducted on 25 September 2003 shows that Exploration Permit WA0329-P is overlapped by the following Native Title Claim. WA0329-P covers an area greater than 700km<sup>2</sup> and there is 10km<sup>2</sup> overlap with the Gnulli native title application.

Claim Number	Name of Group	Date of Registration
Federal Court No. WG6161/98 NNTT No. WC97/28	Gnulli	14/04/1997

The search also indicated that there are:

- 3.1 no determinations of native title;
  - 3.2 no registered Indigenous Land Use Agreements (“ILUAs”); and
  - 3.3 no notified but unregistered ILUAs,
- over the areas covered by the Exploration Permits.

## 4. CONCLUSIONS

### 4.1 Whether exploration permits are valid and subsisting

Based on searches of the Exploration Permits, conducted on 30 September the Exploration Permits appear to be valid and subsisting.

### 4.2 Rents, royalties and other expenditures

Based on the search results referred to above, it would appear that the rents, government royalty returns and other expenditures in relation to the Exploration Permits have been paid up to date.

### 4.3 Confirmation that Exploration Permits will not be forfeited, terminated, surrendered or lost

Based on:

- (a) DMPR searches of the Exploration Permits which confirm that the exploration permits are held by Octanex and other parties as noted in the attached schedule;
- (b) The search results not indicating any non-compliance with obligations under the Exploration Permits; and
- (c) the native title report, discussed above in clause 3,

the Exploration Permits do not currently appear to be liable to forfeiture, termination, surrender or loss.

In providing this report we have relied on (and have not sought to verify) the accuracy of information provided to us by the DMPR and the National Native Title Tribunal in response to our searches of their records and registers. In reliance upon this information, we believe this report does not contain anything which is false in a material particular or which is materially misleading in the form and context in which it appears. We have not undertaken any additional searches of other governmental agencies or of courts or tribunals.

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or files with any government body or other person without our prior consent.

We consent to the inclusion of this report in the prospectus. We have had no involvement in the preparation of the prospectus and have not given or provided any professional or other advice to the Company in respect of the prospectus or any matter contained therein and do not accept responsibility or liability to any person in respect of any matter or false or misleading statement in, or omission from, any other part of the prospectus.

Yours faithfully,

*Cows Chambers Westgarth.*

Schedule - Summary of Exploration Permits											
Petroleum Exploration Permit No.	Title Holders	Locality	Block ID by Map Sheet	Total Blocks	Term	Commencement Date	Expiry Date	Minimum Work Requirements	Annual Fee	Native Title Status	Notes
No. WA-321-P	Octanex NL and Strata Resources NL	Camarvon Basin	Rowley Shoals: Block Nos. 3407; 3408; 3409 and 3410 Hammersley Range: Block Nos. 22; 23 and 24	7	6 years	22/03/02	21/03/08	Year 1: Data Review Year 2: 1500km 2D Seismic Reprocessing Studies Year 3: 500km 2D Seismic Survey Seismic Interpretation Studies Year 4: One (1) Well Year 5: Studies Year 6: 400km 2D Seismic Survey	Year 1: \$1,000 Year 2: \$1,500	No overlapping native title claim	1
No. WA-322-P	Octanex NL, Strata Resources NL and Rocky Mountain Minerals Inc	Camarvon Basin	Hammersley Range: Block Nos. 796; 867; 868; 869; 940; 941; 942; 1012 and 1013.	9	6 years	22/03/02	21/03/08	Year 1: Data Review Year 2: 1500km 2D Seismic Survey Year 3: Seismic Interpretation Studies	Year 1: \$1,000 Year 2: \$1,500	No overlapping native title claim	2, 3

Schedule - Summary of Exploration Permits											
Petroleum Exploration Permit No.	Title Holders	Locality	Block ID by Map Sheet	Total Blocks	Term	Commencement Date	Expiry Date	Minimum Work Requirements	Annual Fee	Native Title Status	Notes
No. WA-323-P	Octanex NL and Strata Resources NL	Carnarvon Basin	Rowley Shoals: Block No. 3404 Hammersley Range: Block Nos. 19; 20 and 90	4	6 years	22/03/02	21/03/08	Year 4: One (1) Well Year 5: Studies Year 6: 500km 2D Seismic Survey Year 1: Data Review Year 2: Reprocess 180km <sup>2</sup> of 3D Seismic Data Year 3: 400km 2D Seismic Survey Year 4: Studies Year 5: One (1) Well Studies Year 6: 400km 2D Seismic Survey	Year 1: \$1,000 Year 2: \$1,500	No overlapping native title claim	

Schedule - Summary of Exploration Permits											
Petroleum Exploration Permit No.	Title Holders	Locality	Block ID by Map Sheet	Total Blocks	Term	Commencement Date	Expiry Date	Minimum Work Requirements	Annual Fee	Native Title Status	Notes
No. WA-329-P	Octanex NL, Strata Resources NL and Rocky Mountain Minerals Inc	Camarvon	Hammersley Range: Block Nos. 1014; 1015; 1085; 1086; 1087; 1156; 1157; 1158 and 1159	9	6 years	5/09/02	4/09/08	Year 1: Data Review Acquisition of 3D Seismic Data Geoscience Studies Year 2: 750km 2D Seismic Survey Year 3: Seismic Interpretation Geoscience Studies Year 4: Office Studies Year 5: One (1) Well Year 6: Data Review	Year 1: \$1,000	Gnulli Application Federal Court No. WG6161/98 NNTT No. WC97/28 10km <sup>2</sup> overlap	4
No. WA-330-P	Octanex NL and Strata Resources NL	Camarvon	Rowley Shoals: Block Nos. 3335; 3405; 3406 Hammersley Range: Block No. 21	4	6 years	5/09/02	4/09/08	Year 1: Data Review Geoscience Studies Year 2: 240km <sup>2</sup> 3D Seismic Reprocessing	Year 1: \$1,000	No overlapping native title claim	

Schedule - Summary of Exploration Permits											
Petroleum Exploration Permit No.	Title Holders	Locality	Block ID by Map Sheet	Total Blocks	Term	Commencement Date	Expiry Date	Minimum Work Requirements	Annual Fee	Native Title Status	Notes
								Seismic Interpretation Geoscience Studies Year 3: 400km 2D Seismic Survey Year 4: Seismic Interpretation Geoscience Studies Well Planning Year 5: One (1) Well Year 6: Data Review			

1 Operating Agreement for Joint Venture between Octanex NL (participant), Strata Resources NL (participant) and Octanex Operations Pty Ltd (operator) approved 2/01/03.

2 Operating Agreement for Joint Venture between Octanex NL (participant), Strata Resources NL (participant) and Octanex Operations Pty Ltd (operator) approved 2/01/03.

3 Farmout between Octanex NL, Strata Resources NL and Rocky Mountain Minerals Inc (RMMI) approved 28/03/03 whereby RMMI has agreed to earn a 25% interest in WA-322-P by funding seismic exploration costs aggregating (US)\$950,000 with respect to WA-322-P and WA-329-P.

4 Farmout between Octanex NL, Strata Resources NL and Rocky Mountain Minerals Inc approved 28/03/03 whereby RMMI has agreed to earn a 25% interest in WA-322-P by funding seismic exploration costs aggregating (US)\$950,000 with respect to WA-322-P and WA-329-P.

**26. ACCOUNTANTS REPORT****IAN D RILEY**

Chartered Accountant

ABN 86 673 257 016

Level 9, 356 Collins Street, MELBOURNE VIC 3000

Phone: 0422 801 135

30 October 2003

The Directors  
 Octanex NL  
 Level 25  
 500 Collins Street  
 Melbourne, Vic 3000

Dear Sirs,

**INDEPENDENT ACCOUNTANTS REPORT****1. INTRODUCTION**

I have prepared this report at the request of the Directors of Octanex NL ("Octanex"), for inclusion in a prospectus relating to the offer of 20,000,000 fully paid ordinary shares each with 2 free attaching options, at an issue price of \$0.10 per share ("Issue") to its members and other persons generally ("the Prospectus").

Expressions defined in the Prospectus have the same meaning in this Report.

The Prospectus seeks to raise \$2,000,000 before costs of the Issue, and the Issue is underwritten to \$1,500,000 by Great Missenden Holdings Pty Ltd, an associate of Mr E G Albers, a director of Octanex. Octanex reserves the right to accept oversubscriptions of 7,500,000 shares (with attaching options) to raise an additional \$750,000.

The moneys raised are to be used to provide working capital for the administration of Octanex, exploration of its oil exploration tenements and repayment of short term liabilities, as detailed in the Prospectus.

**2. BACKGROUND**

Octanex NL was incorporated on 13 March 1980 as a no liability company.

The Company's main business focus has been oil and natural gas exploration and to maintain a suitable investment portfolio which gives it an indirect interest in similar projects.

**3. BASIS OF PREPARATION**

This report has been prepared to provide investors with information on the assets and liabilities of Octanex. This report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. I have not been requested to consider the prospects for Octanex, the securities on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder, and accordingly, take no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report.

**4. SCOPE OF REPORT**

You have requested me to prepare an Investigating Accountants Report on:

- (a) the audited consolidated statement of financial position of Octanex as at 30 June 2003; and
- (b) unaudited pro forma Statements of Financial Position of Octanex as at 30 June 2003 adjusted to include funds to be raised by the Prospectus and completion of the transactions referred to in Appendix A.

The Directors are responsible for the preparation of the pro forma Statements of Financial Position and have determined that the basis of accounting used is appropriate.

I have examined the statements referred to in (a) and (b) above and other relevant information and made such enquiries as I considered necessary for the purpose of this report. The scope of my examination was substantially less than an audit examination conducted in accordance with Australian Auditing Standards and accordingly, I do not express such an opinion. My examination included:

- (a) discussions with directors and other key officers of Octanex;

- (c) a review of contractual arrangements, agreements and joint venture agreements (a summary of which is set out in sections 17 and 18 of the Prospectus of which this report forms part); and
- (d) a review of work papers, accounting records and other documents.

5. **PRO FORMA STATEMENTS OF FINANCIAL POSITION**

The pro forma Statements of Financial Position as at 30 June 2003 (Appendix A) have been prepared from the audited financial statements of Octanex for the year ended 30 June 2003 and adjusted for the proposed transactions detailed in the Prospectus and summarised in the notes to the Pro Forma Statements of Financial Position (Appendix A).

The purpose of the pro forma Statements of Financial Position is to incorporate the financial effects of the fund raising pursuant to the Prospectus.

6. **OPINION – PRO FORMA STATEMENTS OF FINANCIAL POSITION**

Based on my review, which is not an audit, nothing has come to my attention which would require any modification to the pro forma Statements of Financial Position (Appendix A) in order for it to present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), the financial position of Octanex as at 30 June 2003 assuming the transactions in Appendix A had taken place.

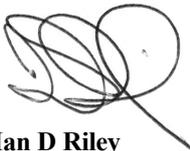
7. **SOURCES OF INFORMATION**

To the best of my knowledge and belief, nothing has come to my attention to indicate that there have been other material transactions or events subsequent to 30 June 2003, which would require comment in, or adjustment to the content of this report, or which would cause the information included in this report to be misleading.

8. **DISCLOSURE**

I do not have any pecuniary interests in Octanex that could reasonably be regarded as being capable of affecting my ability to give an unbiased opinion in relation to this matter. I was not involved in the preparation of any other part of this Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any other part of the Prospectus. I will receive a professional fee for the preparation of this Report. Neither I, nor any of my associates, within the meaning of the Corporations Act 2001, hold or have any interest in any ordinary shares of Octanex. Consent to the inclusion of the Independent Accountants Report in this Prospectus in the form and context in which it appears has been given. At the date of this Report consent has not been withdrawn.

Yours faithfully,



**Ian D Riley**  
**Chartered Accountant**

## APPENDIX A

The financial impact on Octanex of the issue of Shares under this Prospectus is set out below in the pro forma Statements of Financial Position as at 30 June 2003.

**AUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003 AND PRO FORMA STATEMENTS OF FINANCIAL POSITION BASED THEREON AND ON THE ASSUMPTIONS SET OUT HEREIN**

	Notes	Pro Forma Minimum Subscription (Underwritten Amount)	Pro Forma Full Amount of the Issue excluding Oversubscriptions	Pro Forma Full Amount of the Issue including Oversubscriptions	Audited 30 June 2003
		AS	AS	AS	AS
<b>CURRENT ASSETS</b>					
Cash assets	3	160,623	635,623	1,348,123	96,569
Receivables	3	-	-	-	10,433
Other financial assets	4	-	-	-	159,672
<b>TOTAL CURRENT ASSETS</b>		160,623	635,623	1,348,123	266,674
<b>NON-CURRENT ASSETS</b>					
Other financial assets	4	2,080,972	2,080,972	2,080,972	2,080,972
Deferred exploration costs carried forward	5	970,434	970,434	970,434	282,934
Deferred tax assets		13,450	13,450	13,450	13,450
<b>TOTAL NON-CURRENT ASSETS</b>		3,064,856	3,064,856	3,064,856	2,377,356
<b>TOTAL ASSETS</b>		3,225,479	3,700,479	4,412,979	2,644,030
<b>CURRENT LIABILITIES</b>					
Payables	6	-	-	-	713,051
Current tax liabilities		21,380	21,380	21,380	21,380
<b>TOTAL CURRENT LIABILITIES</b>		21,380	21,380	21,380	734,431
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities		84,880	84,880	84,880	84,880
<b>TOTAL NON-CURRENT LIABILITIES</b>		84,880	84,880	84,880	84,880
<b>TOTAL LIABILITIES</b>		106,260	106,260	106,260	819,311
<b>NET ASSETS</b>		3,119,219	3,594,219	4,306,719	1,824,719
<b>EQUITY</b>					
Contributed equity	7	2,491,967	2,966,967	3,679,467	1,207,467
Reserves		1,900,087	1,900,087	1,900,087	1,900,087
Accumulated losses	8	(1,272,835)	(1,272,835)	(1,272,835)	(1,282,835)
<b>TOTAL EQUITY</b>		3,119,219	3,594,219	4,306,719	1,824,719

**NOTES TO THE PRO FORMA STATEMENTS OF CONSOLIDATED FINANCIAL POSITION**

9. **ASSUMPTIONS**

Actual and proposed transactions adjusting the 30 June 2003 audited consolidated statement of financial position, as if the following transactions relating to the Offer had occurred on that date:

Minimum Subscription (Underwritten Amount)

- The Issue of 15,000,000 Shares at \$0.10 (10 cents) each in accordance with the Prospectus, and the receipt of proceeds from the Offer of \$1,500,000;
- Payment of costs of the issue charged directly to equity (including the payment of management fees and commission at the rate of 5% as set out in Section 5.
- Issue of 75,000 shares to the Sponsoring Broker.
- The Directors have included a total of \$687,500 as expenditure on the Octanex joint venture exploration interests on the basis set out in section 1.5 of the Prospectus. The ultimate recovery of this asset is primarily dependent upon the successful development and commercial exploitation of, or alternatively, sale of the tenements.
- There are no payables as the costs of the Issue have been deducted from the total of funds raised and all current payables have been paid.
- Other current financial assets, investments in listed shares, have been sold realising 30 June 2003 book value.

Full Amount of the Issue excluding Over Subscription

- The Issue of 20,000,000 Shares at \$0.10 (10 cents) each in accordance with the Prospectus, and the receipt of proceeds from the Offer of \$2,000,000;
- Payment of costs of the issue charged directly to equity (including the payment of management fees and commission at the rate of 5% as set out in Section 5.
- Issue of 75,000 shares to the Sponsoring Broker.
- The Directors have included a total of \$687,500 as expenditure on the Octanex joint venture exploration interests on the basis set out in section 1.5 of the Prospectus. The ultimate recovery of this asset is primarily dependent upon the successful development and commercial exploitation of, or alternatively, sale of the tenements.
- There are no payables as the costs of the Issue have been deducted from the total of funds raised and all current payables have been paid.
- Other current financial assets, investments in listed shares have been sold, realising 30 June 2003 book value.

Full Amount of Issue including Over Subscription

- The Issue of 27,500,000 Shares at \$0.10 (10 cents) each in accordance with the Prospectus, and the receipt of proceeds from the Offer of \$2,750,000;
- Payment of costs of the issue charged directly to equity (including the payment of management fees and commission at the rate of 5% as set out in Section 5.
- Issue of 75,000 shares to the Sponsoring Broker.
- The Directors have included a total of \$687,500 as expenditure on the Octanex joint venture exploration interests on the basis set out in section 1.5 of the Prospectus. The ultimate recovery of this asset is primarily dependent upon the successful development and commercial exploitation of, or alternatively, sale of the tenements.
- There are no payables as the costs of the Issue have been deducted from the total of funds raised and all current payables have been paid.
- Other current financial assets, investments in listed shares have been sold realising 30 June 2003 book value.

10. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of Preparation**

The audited and unaudited pro forma statements of financial position have been prepared in accordance with applicable accounting standards, Corporations Act 2001 and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) together with such disclosures as considered necessary.

The financial statements have been prepared on the basis of historical cost and do not take into account changing money values, except for non-current listed shares measured at market value.

The financial statements have been prepared under the going concern concept (which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business at the amounts stated in the financial statements) on the assumption that the Company achieves appropriate funding by capital raising or sale or farmout of its petroleum exploration tenement interests.

The accounting policies have been consistently applied.

**Principles of consolidation**

The consolidated financial statements are those of the consolidated entity, Octanex NL (the parent company) and all entities controlled from time to time during the year and at reporting date (subsidiaries).

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases.

**Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure is measured on the cost basis, accumulated separately for each area of interest and carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development or sale; or
- exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which no longer satisfies the above conditions is written off.

**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 undiscounted costs, current legal requirements and current technology.

### Joint Ventures

Interest in joint ventures is brought to account by including in the respective classifications, the Company's share of individual assets employed and share of liabilities and expenses incurred.

### Recoverable Amount

The carrying amount of non-current assets is reviewed at balance date to determine whether it is in excess of the recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows are not discounted to their present value.

### Taxes

#### *Income Tax*

Tax effect accounting procedures are followed whereby the income tax expense (benefit) in the statement of financial performance is matched with the accounting profit (loss) after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

#### *Goods and Services Tax (GST)*

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### Cash Assets

Cash assets comprise cash at bank and short term deposits stated at nominal value.

### Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

### Payables

Payables are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

### Receivables

Receivables are stated at the lower of cost and net realisable value.

### Investments

Non-current investments quoted on a prescribed stock exchange are measured on the fair value basis being the lower of market value and recoverable amount, being a directors' valuation. Current investments are carried at the lower of cost and realisable value.

## 11. CASH AND RECEIVABLES

	<b>Pro Forma Minimum Amount</b>	<b>Pro Forma Basic Offer Amount</b>	<b>Pro Forma With Oversub- scriptions</b>
	\$	\$	\$
Cash and receivables at 30 June 2003 - Audited	107,002	107,002	107,002
Proceeds of shares sold since 30 June 2003	159,672	159,672	159,672
Gross proceeds of the Issue	1,500,000	2,000,000	2,750,000
Less,			
Costs of the Issue	-205,500	-230,500	-268,000
Discharge of short term liabilities	-713,051	-713,051	-713,051
Exmouth project expenditure to 30 June 2004	-562,500	-562,500	-562,500
Dampier project expenditure to 30 June 2004	-125,000	-125,000	-125,000
Cash assets - pro forma	160,623	635,623	1,348,123

12. **OTHER FINANCIAL ASSETS**

<b>Current</b>			
Balance at 30 June 2003 – Audited	159,672	159,672	159,672
Proceeds of Sale	159,672	159,672	159,672
Current Other Financial Assets - pro Forma	-	-	-
<b>Non-Current</b>			
Investments, audited and pro forma	2,080,972	2,080,972	2,080,972

13. **DEFERRED EXPLORATION COSTS CARRIED FORWARD**

	<b>Pro Forma Minimum Amount</b>	<b>Pro Forma Basic Offer Amount</b>	<b>Pro Forma With Oversub- scriptions</b>
	\$	\$	\$
Balance 30 June 2003 - Audited	282,934	282,934	282,934
Expenditure on Exmouth Project	562,500	562,500	562,500
Expenditure on Dampier Project	125,000	125,000	125,000
Deferred exploration costs - pro forma	970,434	970,434	970,434

14. **PAYABLES**

Payables at 30 June 2003 - Audited	713,051	713,051	713,051
Paid out of proceeds of Issue	713,051	713,051	713,051
Payables - pro forma	-	-	-

15. **SHARES ON ISSUE**

	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>
Balance 30 June 2003 - Audited	19,409,671	19,409,671	19,409,671
Shares the subject of the Issue	15,000,000	20,000,000	27,500,000
Shares to Sponsoring Broker	75,000	75,000	75,000
Shares on issue - pro forma	34,484,671	39,484,671	46,984,671

**CONTRIBUTED EQUITY**

	\$	\$	\$
Balance 30 June 2003 - Audited	1,207,467	1,207,467	1,207,467
Gross proceeds of the Issue	1,500,000	2,000,000	2,750,000
Less, Costs of the Issue	-215,500	-240,500	-278,000
Contributed equity - pro forma	2,491,967	2,966,967	3,679,467

16. **ACCUMULATED LOSSES**

Balance 30 June 2003 - Audited	1,282,835	1,282,835	1,282,835
Less, Costs of the Issue transferred to Equity	-10,000	-10,000	-10,000
Accumulated losses - pro forma	1,272,835	1,272,835	1,272,835

## 17. RELATED PARTIES

### (a) Directors and Officers

The names of the persons who were the Directors of Octanex during the year ended 30 June 2003 are set out below, Mr G Menzies having been appointed Director on 26 August 2003.

E G Albers

C R Hart

A P Armitage

P J Albers

The Company Secretary is D B Hill.

### (b) Particulars of Directors' and Officer's entitlement in Shares of Octanex

The names of each of the Directors and Officers of Octanex and the number, description and amount of securities presently held by each of them or on their behalf in the capital of Octanex are set out below:

<b>Name</b>	<b>Position</b>	<b>Shares in Octanex</b>
E G Albers	Director	9,607,026
C R Hart	Director	1,104,995
A P Armitage	Director	50,000
P J Albers	Director	4,973,968
G Menzies	Director	Nil
D B Hill	Secretary	112,739

## 18. COMMITMENTS AND CONTINGENT LIABILITIES

No provision has been made for the following in the accounts of the Company:

- (a) Native title applications and/or future act requirements under the provisions of the Native Title Act 1993 or related legislation, may impact on exploration tenements under application. Any substantiated claim may have an effect on the value of the tenement application affected by the claim.
- (b) The Company is required to outlay amounts pursuant to its joint venture agreements in relation to the Exmouth Joint Venture and the Dampier Joint Venture. Amounts of \$562,500 and \$125,000 respectively, have been allowed on account of those expenditures for the year ended 30 June 2004 as referred to in section 1.5 of the Prospectus.

The commitments will be funded by Octanex, and, wherever appropriate, its joint venture partners attending to their respective obligations.

Minimum work requirements contracted for under exploration permit interests held in joint venture in the period 1 July 2004 to 30 June 2006 are estimated to cost \$790,000.

**27. GEOLOGIST'S REPORT**

**Michael J Martin**  
**Petroleum Geological Advisor**

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1<sup>st</sup> September 2003

The Directors  
 Octanex NL  
 25<sup>th</sup> Floor  
 500 Collins Street  
 MELBOURNE VIC 3000  
 AUSTRALIA

Gentlemen,

**RE: REPORT ON THE GEOLOGY AND EXPLORATION POTENTIAL OF WA-322-P AND WA-329-P IN THE CARNARVON - EXMOUTH SUB-BASIN, AND OF WA-321-P, WA-323-P AND WA-330-P IN THE DAMPIER SUB-BASIN REGION OF AUSTRALIA**

**SUMMARY**

Michael J Martin was commissioned by Octanex NL ACN 005 632 315 (Octanex) to provide a Technical Report on the company's exploration assets in the offshore Exmouth Sub-basin and the Dampier Sub-basin region of Western Australia. The attached reports have been prepared for inclusion in a prospectus to be issued by Octanex NL in relation to a public offering including a non-renounceable entitlements issue to its members in support of an application for listing by that company on the stock market conducted by the Stock Exchange of Newcastle Limited.

Permits WA-322-P and WA-329-P were granted pursuant to the Petroleum (Submerged Lands) Act 1967 to Octanex NL and its Joint Venture Partner, Strata Resources NL (Strata), on the 22<sup>nd</sup> day of March 2002 and the 5<sup>th</sup> day of September 2002, respectively.

Permits WA-321-P, WA-323-P and WA-330-P were granted pursuant to the Petroleum (Submerged Lands) Act 1967 to Octanex and its Joint Venture Partner, Strata, on the 22<sup>nd</sup> day of March 2002 (WA-321-P and WA-323-P) and the 5<sup>th</sup> day of September 2002 (WA-330-P), respectively.

All of the applications for all of the above permits were made and granted in the following proportions:

Octanex NL	50%	(Operator)
Strata Resources NL	50%	

On 3<sup>rd</sup> March 2003 Octanex and Strata farmed out certain obligations within the first three-year term of WA-322-P and WA-329-P to Rocky Mountain Minerals, Inc. (RMMI), whereby RMMI may earn a 25% interest in the permits. The transaction was approved and registered by the Designated Authority on 16<sup>th</sup> April 2003.

WA-322-P (720 square km) and WA-329-P (720 square km), being contiguous, are each significantly larger than neighbouring permits to the south and east within the Exmouth Sub-basin sector of the Carnarvon Basin. Water depths in the two tenements range from 60 metres in the southeast to 700 metres in the northwest.

WA-321-P (565 square km), WA-330-P (322 square km) and WA-323-P (322 square km) are three contiguous permits that lie to the south of and immediately adjacent to the Rankin Platform permits WA-7-R, WA-9-R and WA-28-P(3) & (1). Water depths are modest and in permit WA-321-P range from 25 metres to 40 metres.

The author considers that the tenements are prospective for the entrapment of oil and gas, on the basis of results from previous exploration, examination of the available technical data, and recent exploration successes in the Carnarvon Basin region.

The proposed budgets and past expenditures of the Company are consistent with its exploration objectives.

The Company has a satisfactory and clearly defined exploration and expenditure programme which is reasonable having regard to its stated objectives; and that enough exploration has taken place in the recent past to justify the budgeted exploration and expenditure program.

In the author's opinion the proposed work programmes and budgets of the Company and its Joint Venture Partners reflect the exploration potential for oil and gas in the tenements and the potential for integration with nearby developments.

#### **LIMITATIONS**

The following report is based on information provided to M.J. Martin - Petroleum Geological Advisor, by Strat Trap Pty Ltd, other documents supplied by the Company and available published information. Discussions were held with staff of Strat Trap Pty Ltd, consultants to the Company. The author has no reason to believe that any information has been withheld, but this does not imply that an audit has been made of the technical, legal or accounting records. The report has been prepared before all of the seismic data available in the permits has been completely integrated into the technical database.

#### **QUALIFICATIONS OF THE AUTHOR**

Michael J. Martin is a Perth based petroleum geologist with over 30 years of experience in the international petroleum industry and has provided technical services and management advice to the industry over the past ten years as an independent consultant.

Mr Martin began his professional career in Kuwait and later the western Mediterranean offshore oil fields of Spain, prior to joining the burgeoning North Sea oil boom in the early seventies. Following assignments in London with Atlantic Richfield and Cities Service, he joined Getty Oil in their Perth, Western Australia office. After his departure from Getty, Mr Martin worked with the petroleum division of a major Australian Mining House. Lately he has been actively involved in exploring the Northwest Shelf hydrocarbon basins and other Southeast Asia basins as a consultant for numerous clients.

#### **DECLARATION**

The author has no pecuniary or other interest that could reasonably be regarded as being capable of affecting his ability to give an unbiased opinion in relation to the petroleum exploration assets of Octanex NL.

I, the undersigned, has given and not withdrawn its written consent to be named in such prospectus as an independent consultant geologist to Octanex NL in the form and context in which it is so named and, in addition, it has given and not withdrawn its written consent to the despatch of the prospectus with this independent report being included therein in the form and context in which it is so included and to references thereto (either express or by inference) being included in such prospectus in the form and context in which they are so included.

Yours faithfully



**M.J. MARTIN**

## **REPORT ON THE GEOLOGY AND EXPLORATION POTENTIAL IN WA-322-P AND WA-329-P IN THE NORTHERN CARNARVON - EXMOUTH SUB-BASIN REGION OF AUSTRALIA**

### **Introduction**

The Carnarvon Basin region off the coast of Western Australia is a well-established petroleum sub-province that lies within an extensive series of sedimentary basins that together comprise the North West Shelf hydrocarbon province of Australia.

Recent and significant discoveries within the Exmouth Sub-basin sector of the greater Carnarvon Basin, have indicated that the commercially productive hydrocarbon trends, established over the last 30 to 40 years of exploration, in the immediately adjacent northern Barrow Sub-basin, extend south-westwards from the Griffin, Ramillies, Chinook and Scindian Fields, into the Macedon and Pyrenees Field areas and thence oceanwards to the Novara, Vincent, Laverda, Coniston, Stybarrow and Ravensworth discoveries.

Permits WA-322-P and WA-329-P can be seen in Figure 1 to occupy the area on trend with and between all of these recently discovered groups of fields.

The Enfield Field development, 30 kilometres southwest of WA-329-P, has been reported as likely to account for 86% of Woodside Petroleum's new production by the year 2006. The first phase of production from the project is expected to produce 100,000-250,000 bopd. In a second phase of the project, the adjacent Laverda Field is to be developed and, finally, in a third phase, the Vincent Field will be developed if further technical and commercial studies warrant it. Woodside has expended A\$250 million on the project so far and it is expected to invest a further A\$1.0 billion to \$2.0 billion to fully develop the project. The Enfield accumulation lies in water depths of 350-900 metres, approximately 40 kilometres northwest of the North West Cape. The field development plan calls for an FPSO (floating production, storage and off loading vessel) to produce the estimated 300 million barrels of oil in the Enfield group over a 15 year period.

The interest shown by the Australian based petroleum industry in the Exmouth Sub-basin has been further accelerated by the action of Woodside joining with BHP Billiton by acquiring acreage in the adjacent permits WA-255-P and in the older WA-155-P(1) permits.

A later entrant, the Apache Corporation, after failing in its attempt to obtain equity in the WA-255-P permit, sought and acquired the recently awarded WA-335-P block. This acreage is a deep-water exploration permit in which is located the Zeewulf-1 well drilled in 1979. The WA-335-P block lies due west of WA-322-P.

### **Exploration History of the Exmouth Sub-basin Area**

To date no wells have been drilled in the area encompassed by the permits WA-322-P and WA-329-P.

Within the greater area of the Carnarvon Basin, of which the Exmouth Sub-basin is a part, exploration began in 1954, with the first field mapping of Barrow Island. The broad Barrow Island anticline was later tested in 1964 with Barrow Island-1. The well encountered hydrocarbons in both the Barrow Group and the Dupuy Member of the Dingo Claystone. The initial production from Barrow Island-1 was 985 bopd of 38° API oil. The well also confirmed a commercial oil accumulation in the Windalia Sand Member of the Muderong Shale at a depth of about 700 metres. It also encountered minor accumulations in the Mardie Greensand Member of the same formation at about 850 metres. Nearly twenty years later and by the end of 1983, 190 million barrels had been produced from Barrow Island. Presently the cumulative production from Barrow Island has reached 290 million barrels of oil.

Offshore drilling began in the Carnarvon Basin in 1968 with the then non-commercial oil discovery at Legendre-1. Two more wells with similar discoveries were drilled at Pepper-1 and the Flinders Shoal-1 locations. In 1971, the first major offshore discovery was made with North Rankin-1 on the Rankin Trend. This discovery was followed shortly thereafter by successes at Angel, Goodwyn and West Tryal Rocks. The North Rankin Field was brought into production in 1984.

Southwest of the Barrow Sub-basin, and within the Exmouth Sub-basin itself, the Novara-1 discovery was drilled in 1982 by BHP. This well lies approximately 25 kilometres from the present western boundary of WA-329-P. The well encountered heavy biodegraded oil trapped in excellent reservoir sands of the Barrow Group. To date this accumulation remains undeveloped. The biodegraded nature of the oil in the Novara-1, initially branded the area as a difficult exploration province. The recent Woodside Energy discoveries, Vincent and Enfield, with 4300 and 4800 bopd respectively, demonstrated that biodegraded oils could be produced commercially from the Exmouth Sub-basin. The disappointing Novara-1/ST flow test has since been demonstrated to have failed largely due to the test parameters, rather than the biodegraded nature of the oil. In the light of success with the Vincent and Enfield discoveries, better flow rates should be expected from the Barrow group reservoirs in the Novara closure. A recent test by the Coniston-1 well drilled by BHP in 2000, adjacent to the Novara fault block, flowed biodegraded oil at a rate of 2119 bopd, restricted by rig and environmental constraints.

Approximately 12 kilometres immediately to the east of the present WA-329-P permit boundary lies the Chinook-1 Oil and Gas Field, located on the regionally disposed Alpha Arch. It was discovered in 1989, and in the following year a larger discovery was made at the Griffin-1 location, immediately west of the Chinook Field and abutting the eastern boundary of WA-329-P. In the same year the Scindian Field was discovered. The Scindian and Chinook Fields are simple four way dip closed drape structures which share a common gas and oil column in the Birdrong Sandstone, but

host separate oil accumulations in the underlying Zeepaard Formation. During 1990 and 1991 the fields were appraised and in 1994 tied in for production to the FPSO "Griffin Venture".

Following the discovery and development of the Chinook-Scindian and Griffin Fields, the West Muiron Field (later to be renamed the Pyrenees and Macedon Fields) was discovered in WA-155-P, approximately 14 kilometres SW of WA-329-P. The original West Muiron anticlinal structure had been recognised in the late 1960's. In the search for an accumulation, several seismic surveys had been conducted in the West Muiron area between 1967 and 1990, and a total of four wells were drilled in and around the structure, West Muiron 1 and 1A, West Muiron-2 and Jurabi-1. In 1992 the West Muiron-3 discovery well encountered a 40 metre dry gas column. The fourth well extended the area of known gas, in what became the Macedon Field. West Muiron-5 discovered a separate accumulation of oil and gas in a structurally lower fault block to the northwest of the gas field. The West Muiron-5 discovery was later named the Pyrenees Oil and Gas Field.

**In December 1998 the first discovery was made in the Vincent Field by Woodside Energy within permit WA-271-P, approximately 25 kilometres west of the south western tip of WA-329-P. The discovery well encountered a 28 metre column of hydrocarbons in the Lower Barrow Group. In the following year, in April 1999, a separate accumulation was also discovered by Woodside Energy at the Enfield-1 location 10 kilometres southwest of Vincent-1. The Enfield discovery encountered a 33 metre hydrocarbon column in two zones. The lower of these two zones flowed 4,800 barrels of 22° API oil per day on test. Thirteen kilometres west of the Enfield accumulation, the Laverda-1 discovery was drilled and completed in late 2000 by Woodside Energy. The well encountered a 70 metre gross hydrocarbon column comprising a 9 metre gas column and a 61 metre oil column. The results of this well confirmed the enhancement of prospectivity obtained through the use of 3-D seismic data.**

In the adjacent permit WA-255-P to the north, a permit which contains an extension of the Laverda Field structure, the Coniston-1 discovery was made in 2000 by BHP, the well flowed 2,119 bopd. In 2003 BHP Billiton drilled the nearby Stybarrow-1 well and encountered a 23 metre gross oil column with 18.6 metres of net pay in the Macedon Member Sandstone.

Later in the same year BHP Billiton drilled the Ravensworth oil and gas discovery in the adjacent permit WA-155-P, between the Macedon/Pyrenees Field in the east and the recently discovered Enfield Field to the northwest. The well encountered a gross oil column of 37 metres and a gross gas column of 7 metres with 43.5 metres of net pay in the Lower Barrow Group sandstone reservoir. The oil has a gravity of 19° API and the reservoir is of such good quality that a production test was not considered necessary.

### **The Exmouth Sub-basin - Structural Controls**

Permits WA-322-P and WA-329-P overly the sediments of the Exmouth Sub-basin. The Exmouth Sub-basin is one of a number of sub-basins which in aggregate form the North Carnarvon Basin. The Exmouth Sub-basin is separated from the adjacent Barrow Sub-basin by the Alpha Arch, a southerly extension of the richly endowed Rankin Platform hydrocarbon trend (Figure 2).

The Alpha Arch partially underlies the south easternmost sector of WA-329-P. The Arch has provided a local hydrocarbon migration focus and a cluster of known structural closures just outside of the WA-329-P permit boundary in the adjacent WA-10-L and WA-12-L blocks. These structural closures have provided the trapping mechanism for the Chinook-Scindian, Griffin and Ramillies group of oil and gas fields. The Exmouth Sub-basin is bisected on an approximately north-south axis by the northwest to southeast orientated Novara Arch trend, which lies approximately 20 kilometres to the southwest of WA-329-P and WA-322-P. The Novara Arch trend is a focus for oil and gas accumulations at the Novara, Macedon, Pyrenees, Vincent, Laverda, Enfield, Coniston, Stybarrow and Ravensworth locations.

The Exmouth Sub-basin is bound to the north by the Resolution Arch which parallels the characteristic northeast-southwest trend orientation of most of the structural elements within the North Carnarvon Basin.

The entire area of the present day bathymetry in WA-322-P and WA-329-P maintains the northeast-southwest structural trend. As it does so, the water depth increases north-westwards from a little over 60 metres in the southeast of WA-329-P to in excess of 700 metres in the northwest of WA-322-P. The north-westerly increase in present day water depth is mirrored in the predominantly north-westerly regional dip of nearly all of the sediments above the base of the Cretaceous unconformity.

### **The Exmouth Sub-basin - Stratigraphy**

Exploration drilling in the confines of the Exmouth Sub-basin has encountered sediments no older than the Triassic-Mungaroo Formation. These sediments are characterised by largely fluvio-deltaic sequences of claystones with interbedded sandstones and occasional coal beds. The coal prone sediments provide a likely source for gas. If older and underlying equivalents of the Triassic-Locker Shale are present in the Exmouth Sub-basin, then these too will be capable of hydrocarbon generation (Figure 3).

Towards the end of the Triassic period a marine transgression advanced southwards over the alluvial plain, which had been built up by sediments of the Mungaroo Formation. The marine transgression brought with it the deposition of the marginal marine sequence of sediments of the Brigadier Formation. The Brigadier Formation was in turn overlain by

younger Early Jurassic sediments of the shallow marine Murat Siltstone. The inception of rifting in the Early Jurassic and related basin subsidence, resulted in the deposition of the slope sediments of the Athol Formation and segmentation of the older intra-cratonic Triassic and earliest Jurassic sedimentary sequences; an event which marks the beginning of the separate tectonic development of the Exmouth Sub-basin.

At the close of the Middle Jurassic the continental break-up of the North West Shelf basins was accelerated by continued rifting and subsequent foundering of the rifted blocks. This process gave rise to the inundation of the rifted basins by deeper marine waters in the Late Jurassic. Low oxygen conditions in the deep marine basins allowed the accumulation of the organic rich Calypso Formation and Dingo Claystone. These are locally replaced at the basin margins by marine sandstones derived from the eroded crests of the newly rifted and uplifted rift shoulders. The deep-water bathymetry of some of the rifted basins enabled deep-water submarine fan sand deposition of the Dupuy Formation, the Angel Formation and their local equivalents. At the close of the Late Jurassic the Indian and Australian continental masses split apart creating a regional unconformity at the Tithonian-Berriasian boundary. The continental movement associated with this split created a large sub-regionally uplifted area to the south of the Exmouth Sub-basin. In so doing the uplifted area became the clastic source for the creation of the Barrow Group Delta complex which prograded northwards into the Barrow and Exmouth Sub-basins and onto the Exmouth Plateau. Delta front, ramp-slope canyon fill and basin floor submarine fan sands were deposited in front of the advancing Barrow delta, as the Macedon Member. This period of delta progradation sedimentation infilled the Barrow and Exmouth Sub-basins, and even enveloped the Alpha Arch. A later phase of uplift during the Early Valanginian created the Ningaloo Arch and Cape Range inversion features, located to the southwest of the Macedon-Pyrenees Field and the southern margin of WA-329-P. This newly uplifted feature shut off sediment supply to the early Barrow Delta, but initiated a younger delta, represented in the Zeepaard Formation, which then built out from the Peedamullah Shelf from the southeast of the Barrow Sub-basin, as well as cannibalizing the earlier Barrow delta sediments from the Cape Range inversion. The Zeepaard Delta proceeded to prograde north-westwards across the Barrow and Exmouth Sub-basins towards the Rankin Platform and Exmouth Plateau.

At the close of the Valanginian, a eustatic sea level rise and the consequent marine inundation of the sediment source areas for the Zeepaard Delta, led to the abatement of major clastic supply to the Exmouth Sub-basin. With reduced coarse clastic sedimentation, glauconitic sands, silts and shales prevailed during the deposition of the transgressive Mardie Greensand and the development of the locally sandy glauconitic Birdrong Sandstone.

Continued sea level rise and regional subsidence caused by the thermal collapse of the rifted and extended Carnarvon Basin during the Barremian and Early Aptian, allowed the accumulation of a thick overlying Muderong Shale sequence. A short-lived regression in the Aptian facilitated the deposition of the bioturbated silts and sands of the Windalia Sandstone Member of the Muderong Shale. Locally the Windalia Member is a very important sandstone sequence since it provides the reservoir for 1.0 billion barrels of oil in place at the Barrow Field location, which lies approximately 90 kilometres northeast of WA-322-P and WA-329-P. The overlying transgressive Windalia Radiolarite is replaced in turn by the Mid-Late Cretaceous Gearle Siltstone, a more carbonate rich unit. Sediments become progressively more carbonate rich during the Late Cretaceous with the deposition of the Toolonga Calcilitite. The Novara Arch was inverted during the Campanian, but the trend to ocean dominated carbonate sedimentation continued with the deposition of very large prograding carbonate wedges belonging to the Withnell, Korojon and Mira Marl formations. The Late Cretaceous carbonate margin developed, in the absence of a significant clastic sediment supply, along the thermally subsiding passive margin. This type of sedimentary deposition continued into the Tertiary and remains to the present day. During the deposition of the Tertiary carbonate wedges, a series of regionally important tectonic episodes disturbed the passive margin of the Exmouth Plateau and Northern Carnarvon Basin areas. In the Exmouth Sub-basin the north western extremities of the basin were affected by these tectonic episodes, giving rise to inversion. The nose of the Resolution Arch inverted trend extends northeast-south westwards and lies to the north of WA-322-P. It extends through the Zeepaard-1 well, located 25 kilometres north of WA-322-P. Subparallel to the Resolution Arch and approximately 60 kilometres southeast of it, lies the Cape Range anticline, a related Middle Miocene inverted feature.

### **Stratigraphy - The Major Hydrocarbon Play Elements - Described Formation by Formation**

The stratigraphic nomenclature for the sedimentary section resident in permits WA-322-P and WA-329-P is presented in Figure 3.

The following analysis examines the essential key play elements offered by each major stratigraphic formation, which in turn determines its prospectivity for the accumulation of hydrocarbons.

#### **Mungaroo Formation**

The Mungaroo Formation is a sequence of delta top, coastal plain and fluvial claystones, siltstones and sandstones, best known as the primary reservoir for the giant gas and condensate accumulations along the Rankin Platform. On examination the sandstones of the Mungaroo Formation are fine grained, to pebbly and kaolinitic. These sands become silica cemented with depth. They form extensive bodies, typically thirty metres thick, five to ten kilometres wide and tens of kilometres long. The interbedded floodplain claystones and coals of the Mungaroo Formation are most likely to be source rocks for gas, although oil-prone shales have been identified to the far north of the basin near the Rankin Platform. Sandstone reservoirs of the Mungaroo Formation contain gas and condensate in the Gorgon, West Tryal Rocks, Dionysus and Chrysaor Fields and in the North Rankin and Goodwyn Fields, Mungaroo Formation sandstones

also act as an oil reservoir in part at the Goodwyn Field, at Dockrell-1, Tidepole-1 and the Leatherback-1 locations (Figure 2).

### **Brigadier Formation**

The Brigadier Formation is a sequence of thinly interbedded, transgressive marine sandstones and organically rich shales, which conformably overlie the Mungaroo Formation in WA-322-P and WA-329-P. The formation extends across much of the Dampier and Barrow Sub-basins and possibly into the southern reaches of the Exmouth Sub-basin, where it has been tentatively identified in Sandy Point-1, Yardie East-1 and Jurabi-1.

The Brigadier Formation was deposited in relatively high-energy, shallow marine shelf conditions and as such has significant reservoir potential. The very fine clastic content is considered to be a liquid prone source rock where penetrated to the north in the Dampier Sub-basin.

### **Murat Siltstone Member**

The Murat Siltstone Member is a dominantly fine-grained offshore marine unit that overlies the Mungaroo and Brigadier Formations. It corresponds to the lower Dingo Claystone of the older nomenclature and contains some sandstone bedforms towards the base of the formation. Reservoir quality sands within the Murat Siltstone are considered a high-risk secondary objective for the Swell, North Baylis and South Baylis Leads (see later). The formation was identified in Jurabi-1 and extends from the mid to the top of the *C. torosa* palynozone.

The Murat Siltstone member provides a top seal to the Mungaroo Formation reservoir sands.

### **Athol Formation**

The Athol Formation conformably overlies the Murat Siltstone in the WA-322-P and WA-329-P area and has previously been referred to in older nomenclature as the middle Dingo Claystone. The formation is a fine-grained marine slope deposit that has some aerially restricted turbidite development. It ranges in age from the top of the *C. torosa* to the top of the *W. indotata* palynozone.

The Athol Formation was deposited in a lower energy, offshore marine setting with restricted circulation of the water column and is potential source rock.

Reservoir quality sands within the Athol Formation are considered a high-risk secondary objective for the Swell, North Baylis and South Baylis Leads (see later).

### **Dingo Claystone**

The Late Jurassic Dingo Claystone is a post-rift, deep marine, organic rich claystone. The oldest Dingo Claystone is Oxfordian (*W. spectabilis* zone), while the youngest is resident in the *P. iehiense* palynozone. It is the proven source unit for the Barrow and Exmouth Sub-basins and is likely to be the source for all hydrocarbons that may be resident in WA-322-P and WA-329-P. The Dingo Claystone averages nearly 2% Total Organic Carbon (TOC).

The combined thickness of the Murat Siltstone, Athol Formation and the Dingo Claystone is greater than 5 kilometres in the northern part of the Barrow Sub-basin, and it reaches as much as 4 kilometres in the centre of the Exmouth Sub-basin. Elsewhere, and specifically along the Rankin Platform and the Alpha Arch, the Murat Siltstone and the Athol Formation are partially eroded and may be completely missing from the high-standing Triassic blocks.

### **Barrow Group**

Geometrically, the Barrow Group consists of three depositional units: topsets, foresets and bottomsets. The topset sediments were deposited in fluvial to shallow marine environments, the foreset sediments were deposited on the submarine delta front slope and the bottomset sediments were deposited on the deep sea-floor in front of the slope.

The delta prograded towards the north, so the different depositional units of the Barrow Delta Group young in a northerly direction. The water depth over the foresets probably ranged from about 200 to 500 metres, and the bottomsets were deposited in water from 500 to more than 1000 metres deep. Each unit slopes in the direction of progradation, the foresets having the steepest dips of between 2 to 5 degrees. Lithologically, the Barrow Group consists of interbedded sandstones and claystones. The topsets are mainly sand with few areally extensive claystones, the foresets are mainly claystone, and the bottomsets consist of interbedded submarine fan sandstones and aerially extensive claystones.

The Barrow Group is believed to consist of three major reservoir units. The initial unit comprises submarine fans sands deposited in front of the main Barrow delta during the Late Tithonian and Early Berriasian, *P. iehiense* to *C. delicata* palynozones. The middle unit forms the bulk of the Barrow Group delta front and delta top sands and was deposited during the Late Berriasian and Early Valanginian, *D. lobospinosum* to *E. torynum* palynozones. This unit prograded northwards along the Exmouth Sub-basin and positionally fanned out across the Exmouth Plateau and the Barrow Sub-basin. The final Barrow Delta unit, the Zeepaard Formation, was deposited during the mid Valanginian, *S. areolata* palynozone. The inception of this unit of sedimentation resulted from a tectonic episode associated with the break-up of Australia and India, consisting largely of material eroded from parts of the earlier *D. lobospinosum* and *E. torynum* main Barrow deltaic cycle.

Uplift during and after deposition of the final *S. areolata* Barrow Delta cycle has led to the erosion of all or part of the oldest Barrow Delta cycle south of WA-322-P and WA-329-P. However, sands within the initial Delta unit are believed to form the reservoir in the following fields:

- In the Macedon Gas Field - the bottomset sands of the oldest Delta cycle (at Macedon they are of *P. iehiense* age, hence the name *P. iehiense* Delta),
- In the Pyrenees Oil Field, the topset sands of the oldest Delta cycle,
- In the Enfield Oil Field, the topsets of the oldest Delta cycle.

Farther north, the Vincent and Novara reservoirs are in the topsets of the mid Delta cycle i.e. *D. lobospinosum-E. torynum* palynozone.

### **Muderong Shale and other Cretaceous Sediments**

The Muderong Shale overlies the Barrow Group and was deposited as a regional seal during a marine transgression. The basal unit of the Muderong Shale, the Birdrong and Mardie Greensand Members, are diachronous series of transgressive glauconitic sandstone cycles, which can act as a reservoir, waste zone or as a seal in different areas. The Birdrong and Mardie Greensand Members are developed over the topset surface of the youngest Barrow Delta cycle and the adjacent shelves, but they are missing over tectonically positive areas such as Cape Range. The remainder of the Muderong Shale has moderate potential as a petroleum source rock with total organic carbon contents of 1 to 2%, dominated by organic material of Type II-III.

The Windalia Sand Member at the top of the Muderong Shale was deposited during a regional sea level fall and locally acts as a reservoir at the Barrow Island Field location. The succeeding Windalia Radiolarite records a regional radiolarite acme. The Gearle Siltstone overlies the Windalia Radiolarite and was deposited on an outer shelf to slope environment in several low angle prograding pulses within an overall aggradational system. Lithologically, the Gearle Siltstone is a bioturbated silty claystone with some laminated intervals deposited during periods of anoxia. The Gearle Siltstone contains concretionary carbonate bodies which act as reservoirs at Barrow Island. Tectonism during Gearle Siltstone deposition may be related to a change in seafloor spreading direction between the Indian and Australian plates. The overlying Toolonga Calcilitite is the first of the regional carbonate prograding wedges.

### **Tertiary sediments**

The Tertiary sediments are mainly carbonates and calcareous claystones deposited in cycles of shelf edge progradation and transgression caused by sea level fluctuations and tectonism. The carbonate shelf edge built out across the subsiding Exmouth, Barrow and Dampier Sub-basins, the Alpha Arch and the Rankin Platform but did not reach the Exmouth Plateau where only thin deep-water Tertiary sediments are present. Quartz sandstones are present in the Palaeocene and Miocene. At Maitland-1, Palaeocene sandstones contain gas and condensate indicating that the overlying fine-grained carbonates can act as seals.

**Tertiary tectonism affected the Exmouth Plateau and the Carnarvon Basin. The western side of the Exmouth Sub-basin was inverted during the early to middle Tertiary. The northeast plunging axis of this anticlinal trend passes just north of the Altair-1 location towards the Zeepaard-1 well. This inverted feature as well as the Cape Range anticline and the Exmouth Plateau arch may have developed at about this time, perhaps during the Oligocene or early Miocene. From the Miocene to Recent, the carbonate shelf edge prograded dramatically, providing some of the thermal blanket, along with the earlier Tertiary and Cretaceous sediments, which enabled the deeper source rock sequences to reach thermal maturation necessary for oil and gas generation and expulsion.**

### **Hydrocarbon Play Types and Prospectivity in WA-322-P and WA-329P**

The prospectivity of the Exmouth Sub-basin has been increased in recent years by the acquisition of numerous 3-D seismic surveys (Figure 4) that have enabled the identification of subtle structural and combination structural/stratigraphic traps.

The play types resident in the permits WA-322-P and WA-329-P fall into three groups:

- Early Cretaceous, Barrow Group Leads
- Triassic Leads
- Tertiary Lead

### **Barrow Group Leads**

The Barrow Group leads are all present at the top of the major Barrow Group Delta i.e. the middle Barrow Deltaic unit of *D. lobospinosum* to *E. torynum* palynozone age. The oldest Barrow Deltaic cycle of *P. iehiense* to *C. delicata* palynozone age and the youngest Barrow Deltaic cycle of *S. areolata* palynozone age, at this stage of interpretation, do not contain identifiable leads and or prospects. However they may form canyon and submarine fan pinchout plays within the permit areas, similar to those in the recent Stybarrow, Laverda and Enfield discoveries.

There are two Barrow Group leads presently identified within permit WA-329-P (Figure 5):

Algol Lead

Carina Lead

And three Barrow Group leads identified within permit WA-322-P (Figure 5):

D Lead

E Lead

F Lead

### **Triassic Leads**

The Triassic leads identified within the WA-322-P and WA-329-P area have, as their primary objective, the reservoir potential offered by sandstones of the Mungaroo Formation, an established hydrocarbon productive reservoir in the Northern Carnarvon Basin. In acreage adjacent to WA-322-P and WA-329-P, it provides the reservoir for the Leatherback Oil Field and the giant Gorgon Gas Field. A further and secondary objective sandstone reservoir is present within younger sandstones of the Late Triassic-Brigadier Formation.

There are three Triassic, Mungaroo Formation leads presently identified (Figure 5):

- South Baylis Lead
- North Baylis Lead
- The Swell Lead

### **Tertiary Lead**

A single Tertiary lead has been identified in WA-322-P, based on a seismic anomaly (Figure 5).

The leads are described in detail below.

The first set of leads to be described have reservoirs in the Barrow Group Delta.

#### **Algol Lead**

The Algol Lead is a structurally enhanced stratigraphic trap. It partly overlies the deeper Triassic North Baylis Lead. The reservoir sandstones, and hence the lead itself, was identified by a seismic amplitude anomaly below the top of the Barrow Delta cycle - *D. lobospinosum* - *E. torynum*. The reservoir sandstone unit, so defined, is believed to be sealed above and below by intradeltaic shale units. Updip seal to the south is interpreted to be provided by a sandstone pinch-out between the shale units above and below. Closure to the east requires a fault seal. The seismic amplitudes are interpreted to conform to the structural closure and to the eastern bounding fault.

Mapping of the seismic amplitude anomalies indicates that the Algol Lead actually consists of four fault block units. The faults, however, do not penetrate the topmost Barrow Delta cycle, except along the eastern margin of the lead. Here the Algol Lead is bound by the northeast-southwest Algol Fault that cuts through the Barrow Group Delta cycle - *S. areolata* unit into the Muderong Shale above it. The risk attaching to the Algol Lead must reside in the trap and seal integrity, the timing and the preservation of the hydrocarbon charge. The Algol Lead lies on a direct hydrocarbon migration pathway between the Exmouth Sub-basin generative area, immediately to the north and east, and the Alpha Arch oil fields of Griffin, Chinook/Scindian and Ramillies, to the southeast.

The Algol Lead lies in modest water depths of 180-280 metres.

#### **Carina Lead**

The Carina Lead, like the immediately adjacent Algol Lead, was initially identified in the seismic coverage by a strong seismic amplitude response. It has a similar stratigraphy to the Algol Lead but is considered to occur in a sandstone unit of slightly younger age.

The Carina Lead lies immediately northwest of and downthrown from the Griffin and Ramillies Oil Fields in the adjacent WA-10-L block. The eastern margin of the Carina Lead is in fact defined by the fault described above, a fault which also defines the eastern margin of the Algol Lead to the southwest. The risk attaching to the Carina Lead resides in the quality of the sealing lithology at the base of the sandstone reservoir and the timing of hydrocarbon migration and the preservation of this hydrocarbon charge with time.

The Carina Lead lies in modest water depths of 180-280 metres.

#### **Lead D**

Lead D is a combination structural stratigraphic lead identifiable by an amplitude anomaly lying approximately 10 kilometres south and west of the Altair-1 location. The Altair-1 well, drilled in 1995 on a seismic amplitude anomaly, contained 31 metres of high porosity sandstone. Lead D contains three stacked submarine fan sand reservoirs, with lateral pinchout provided by adjacent shaley delta foresets.

**Lead E**

Lead E lies to the south of the Altair-1 location and to the southeast of Lead D. It is interpreted as an extensive sand prone submarine fan channel that has been incised into the underlying Dingo Claystone. Within this large channel lead, several separate traps, based on amplitude anomalies, are interpreted to have developed by the combination of faulting and sandstone pinchout.

**Lead F**

Lead F lies to the south of the Altair-1 location, it contains two stacked submarine fan sand reservoir units and is also represented by a seismic anomaly with a trapping configuration provided by pinchout of the sands onto adjacent shaley delta foresets.

The second set of leads to be described have reservoirs in the Triassic, Mungaroo Formation.

**North Baylis Lead**

The North Baylis Lead is defined by good quality 3-D seismic data, which has been correlated with six wells in the area; Griffin-1, Ramillies-1, Jurabi-1, Hilda-1A, Nimrod-1 and West Muiron-2. The use of these well ties both for the calculation of the depth to the top of the Mungaroo Formation at 4,300 metres subsea, and the extension of structural closure down to 4,900 metres subsea at the lead, is considered to have enabled a confident prediction.

Structurally the North Baylis Lead is a tilted Triassic fault block with three-way dip closure. The fault bound flank trends northeast to southwest and is defined by the downthrow of the adjacent block to the northwest.

The risk element assigned to the North Baylis Lead is primarily associated with depth of burial of the Mungaroo Formation sandstones. The risk for gas is considered to be low and the veracity of the seismic interpretation of closure in both time and depth is considered to render the structural interpretation robust. The North Baylis Lead has been described as the best opportunity for oil in the Mungaroo Formation by a previous operator.

**Swell Lead**

The Swell Lead is much like the North Baylis Lead in structural form; a tilted Triassic Fault block with a strong north-westerly dipping flank, fault closure on the eastern boundary fault and a series of en echelon faults providing critical closure on the southern flank of the structure. The crest of the structure has been mapped at 4,440 metres subsea with the structural closure maintained to a depth of 4,760 metres subsea.

The quality of seismic horizon picks is considered good because of the good ties to the nearby West Muiron-2 well and the seismic character ties to the wells Hilda-1A, Griffin-1 and Nimrod-1.

The Latest Triassic-Earliest Jurassic - Brigadier Formation provides a secondary objective at the Swell location.

The risk attached to the Swell Lead is represented by the depth of burial of the Triassic-Mungaroo sandstones and the integrity of the fault seal at the southern bounding faulted flank.

**South Baylis Lead**

The South Baylis Lead, like the other two Mungaroo Formation leads discussed above, is a tilted fault block with a dipping flank to the southeast and fault closure on the northwest flank. The tilted block has steep dips to the northeast, east and south. The fault bound northwest flank is juxtaposed with the Lower Dingo Claystone source rock, providing the opportunity for both face loading of hydrocarbons and a sealing formation at the fault surface. The crest of the structure lies at 4,300 metres subsea, with closure extending to a maximum depth of 5,000 metres subsea. The interpretation of the South Baylis Lead is constrained by seismic character ties to the Mungaroo Formation at the Hilda-1A and the Nimrod-1 locations.

The final lead lies within the Tertiary.

**T Lead**

Lying stratigraphically above the Early Cretaceous Algol Lead and extending to the southwest, is a seismic amplitude anomaly within the Tertiary section. This anomaly, previously identified as Lead T, is considered to represent a combination of onlap of turbidite sands against claystone foresets to the east and truncation by an erosional channel to the south. The lead is enhanced in having the bright seismic anomaly dim uniformly at the same time contour around its circumference.

**Exploration and Expenditure Programmes**

In the first three-year term of the WA-322-P permit the company has committed to obtain a large range of pertinent existing reports and basic data collected by previous operators in the area. It has also committed to acquire and process 1500 kilometres of new 2-D seismic data. The data sets will receive extensive interpretational effort so that, should the company so decide, it can elect to enter a second three year permit term and in which it has indicated it will drill one well and acquire further seismic data.

**In the first three-year term of the WA-329-P permit the company has committed to the collection of data including 2-D seismic surveys and other existing data in the permit area. It has also committed to seek and acquire newly reprocessed 3-D seismic data (the Swell and Baylis 3-D data sets) and to design, acquire and**

**process a new 750 kilometres 2-D seismic programme. The company has committed to the interpretation of this data set so that, if it should choose to do so, it can enter the second three-year permit term in which it has indicated it will drill one exploration well.**

In the opinion of the author the company has developed and committed to a satisfactory and clearly defined work programme, which is reasonable having regard to the stated objectives of the company.

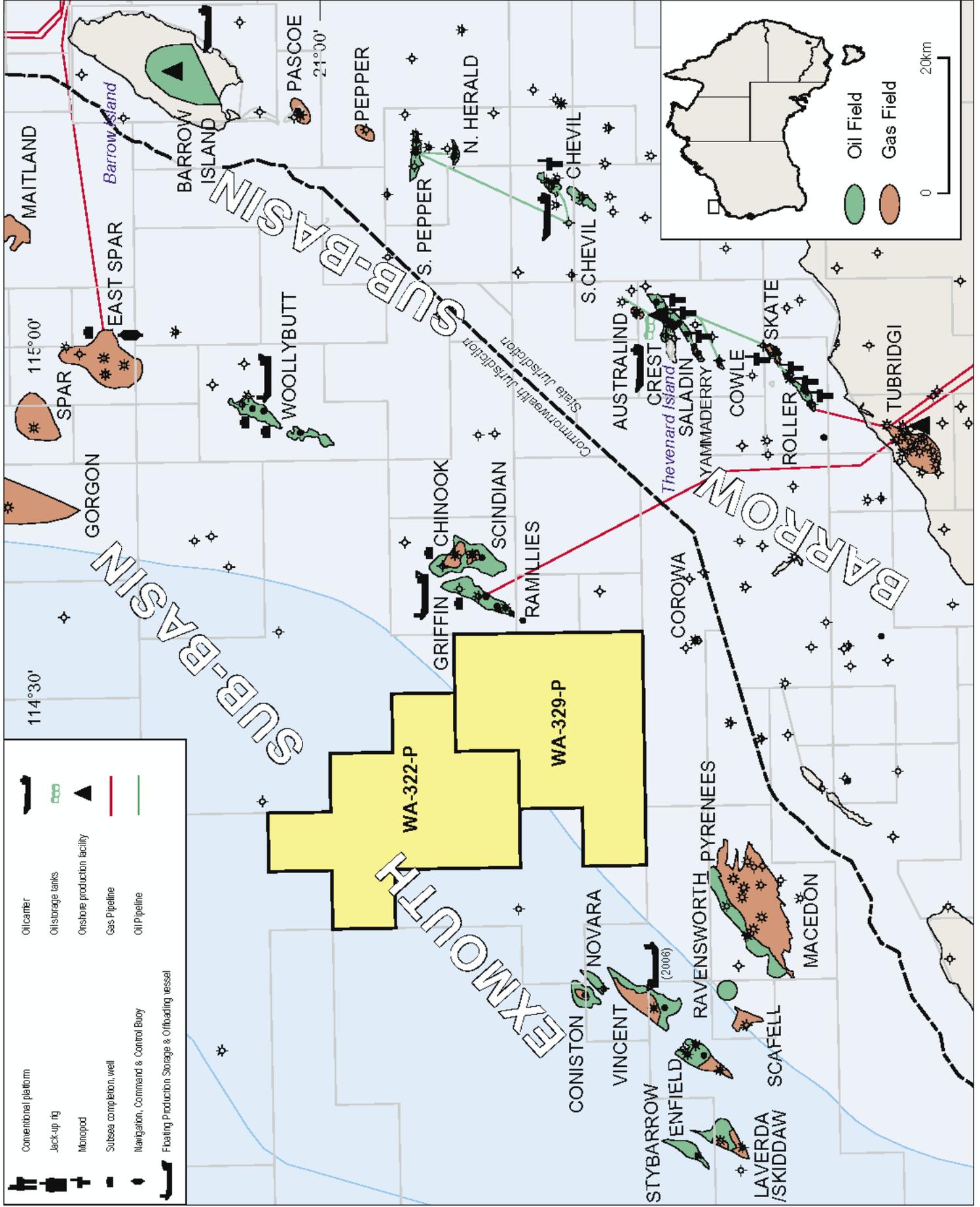


Figure 1 Location map of WA-322-P and WA-329-P showing significant oil and gas discoveries and facilities

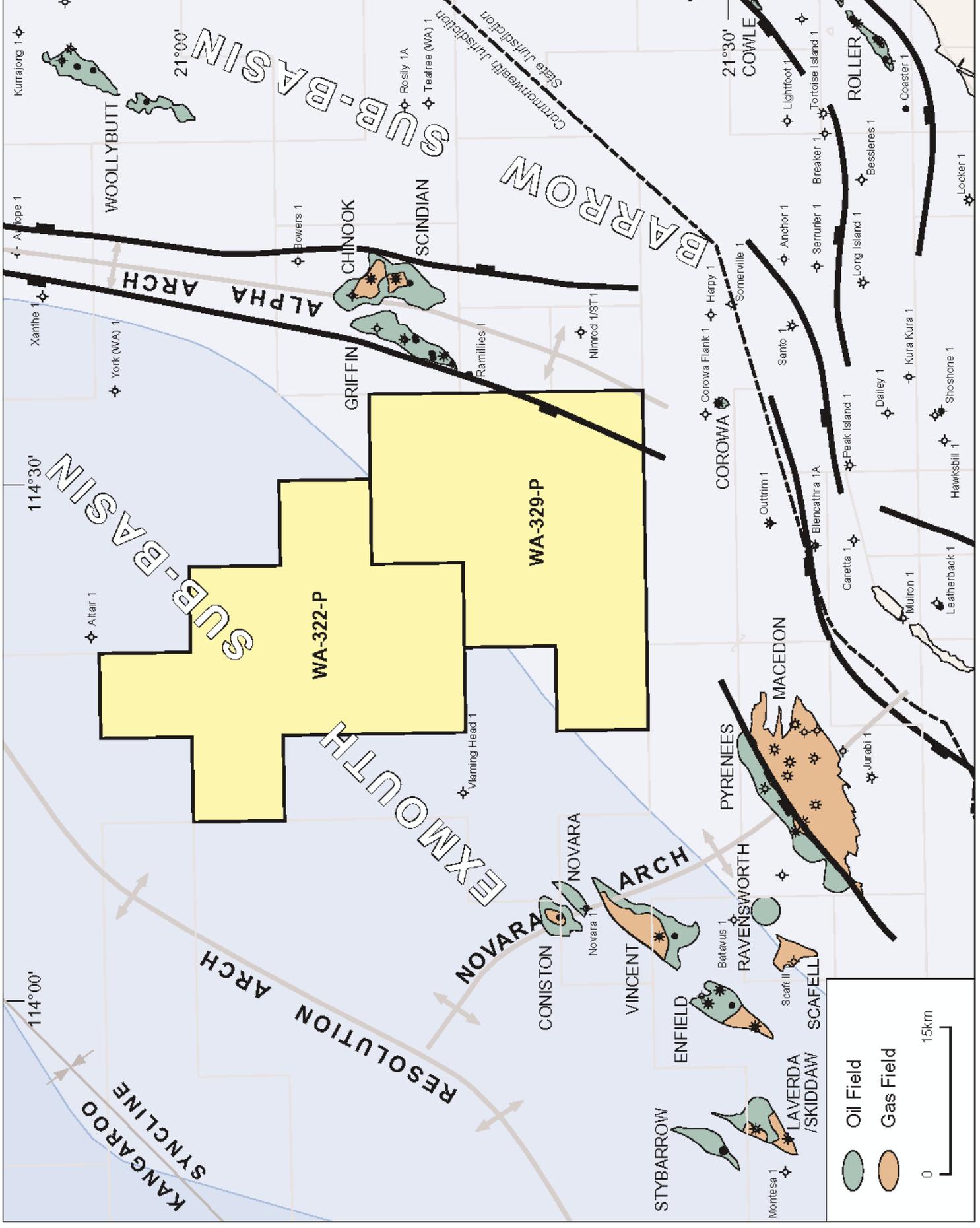


Figure 2 Structural elements map Exmouth Sub-basin

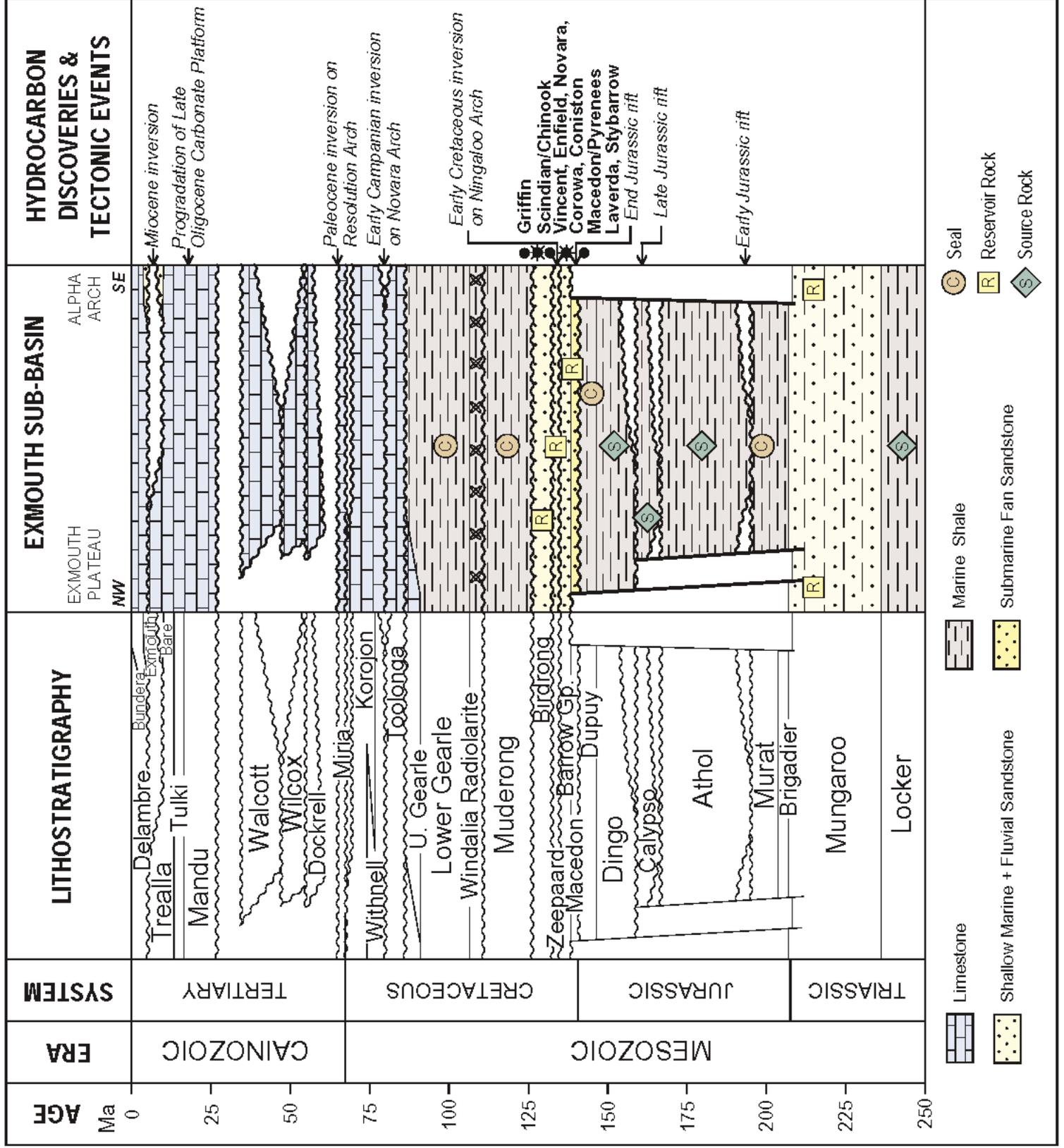


Figure 3 Generalised stratigraphy Exmouth Sub-basin

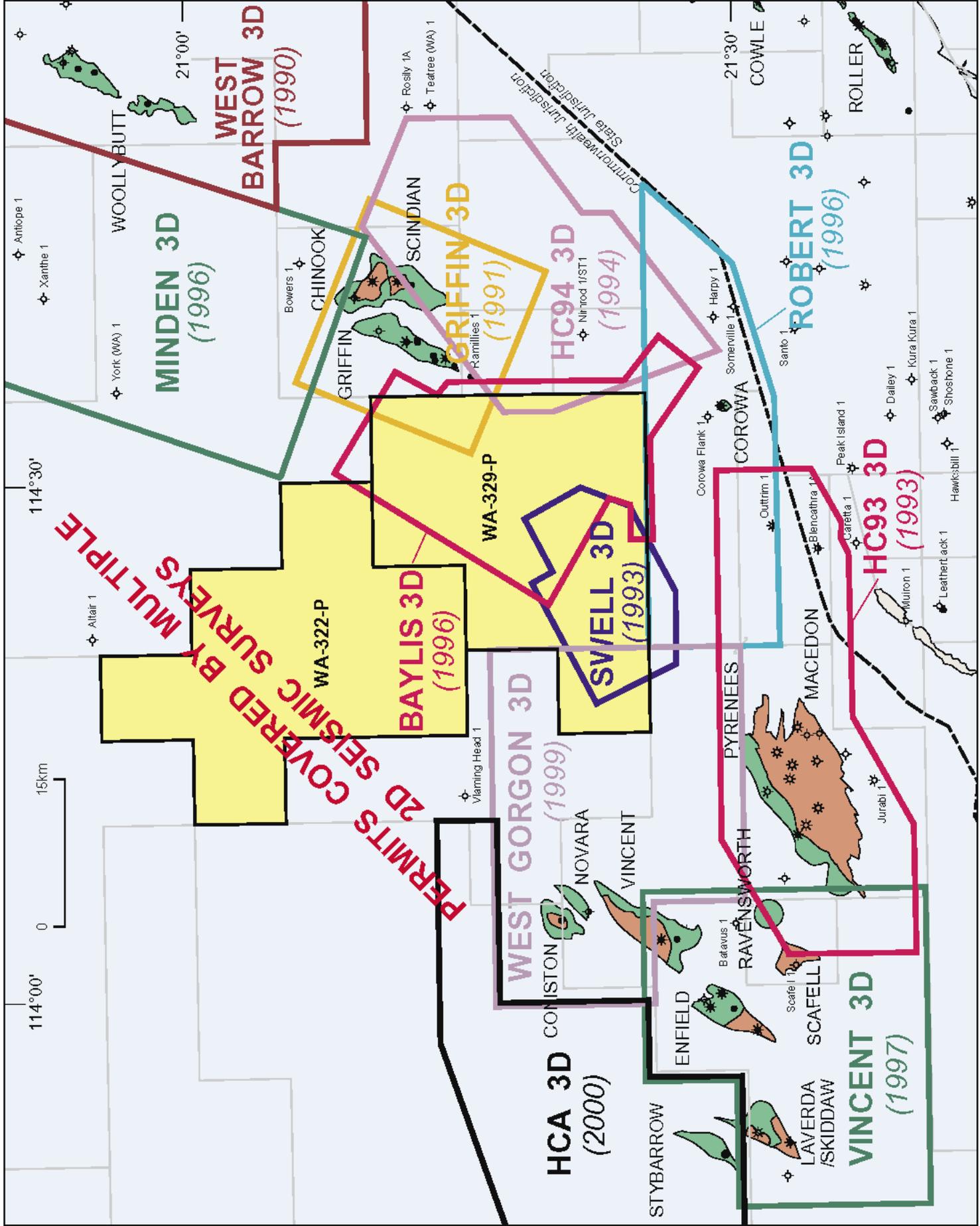


Figure 4 Seismic survey basemap Exmouth Sub-basin



## **REPORT ON THE GEOLOGY AND EXPLORATION POTENTIAL IN WA-330-P, WA-321-P AND WA-323-P IN THE NORTHERN CARNARVON BASIN - DAMPIER SUB-BASIN REGION OF AUSTRALIA**

### **Introduction**

The Carnarvon Basin region off the coast of Western Australia is a well-established sector of the North West Shelf petroleum province. It contains a number of sub-basins, of which the Dampier Sub-basin is an important and the most commercially productive hydrocarbon sub-province. The first offshore exploration well in Western Australia was drilled in the Dampier Sub-basin at the Legendre-1 location in 1968. In the intervening 35 years the Dampier Sub-basin has hosted a large number of discoveries. They have included the Rankin Trend gas, gas condensate and oil fields that are managed in large part by the North West Shelf Venture (NWSV) lead by Woodside. The partners in this project have undertaken a total capital investment of more than A\$9 billion in the development of these fields. The present trunkline which brings gas from the Rankin platform ashore at the Burrup Peninsula, passes 15kms to the northeast of WA-321-P. Shortly a second trunkline will parallel it, and this will involve further expenditure of A\$800 million; the line is scheduled for start-up before mid-2004. Permits WA-330-P, WA-321-P and WA-323-P (Figure 6), occupy an area of the sub-basin immediately to the south of the Echo, Goodwyn, Wilcox, Perseus and the North Rankin Gas Fields. The Madeleine structural trend, which hosts the Wanaea Oil Field 60 kilometres to the northeast, traverses the WA-330-P and WA-321-P permit areas. The Parker Terrace structural trend runs through the northwest corner of WA-330-P and bisects WA-323-P. It hosts the Dixon and Tidepole oil and gas accumulations, which are located approximately 8 kilometres to the north of WA-330-P.

### **Exploration History of the Dampier Sub-Basin Area**

The WA-330-P, WA-323-P and WA-321-P permit areas form a contiguous group of 15 graticular blocks within the northwestern sector of the Dampier Sub-basin. The westerly permits, WA-323-P and WA-330-P, contain two plugged and abandoned exploration wells, Parker-1 and Webley-1A, resulting from earlier exploration efforts. WA-321-P, the largest and most easterly disposed of the permits, contains two plugged and abandoned wells, Withnell-1 and Cognac-1A.

The oldest of these four wells was spudded at the Withnell-1 location in 1976; the well reached a total depth of 4,650 metres in the lower Dingo Claystone. No formation tests were carried out in the well bore. Parker-1, the second well to be drilled within the area of the permits, was drilled in 1979/80 and reached a total depth of 4,737 metres in sediments of the upper Dingo Claystone without reaching the target reservoir. The Parker-1 location is presently within the westerly permit WA-323-P. The third well to be drilled within the permits, Cognac 1B, is presently located within the permit area WA-321-P, and was drilled in 1996. Cognac-1B was located on a four-way dip closed structure mapped at the Angel Sandstone (Tithonian – Berriasian) horizon. The well was respudded at the Cognac-1B location and reached a total depth of 3,690m in sediments of the Dingo Claystone. The quality of the target Angel Sandstone reservoir was very poor, and representative of more distal submarine fan sand deposits. The good quality Angel Sandstones penetrated in the Dixon 1 well comprise more proximal submarine fan deposits. The last well to have been drilled within the area of the permits was Webley-1A, which was completed at a total depth of 3,108 metres, without reaching the target reservoir. The premature plugging and abandoning of the Webley-1A well resulted from well control problems. The well was located at the southern end of the Parker Terrace 3.5 km west of the Parker-1 well. Total gas readings recorded at the total depth of the well indicated gas concentrations of up to 59.343%. The gas concentration encountered in the drilling fluid of this magnitude was considered to be a “gas bubble”.

Outside of permit areas WA-323-P, WA-330-P and WA-321-P, there are a number of significant wells. The nearest are the Wilcox-1 and 2 wells located in the Wilcox Gas and Condensate Field, immediately adjacent to the north-western most graticular blocks in WA-323-P.

Wilcox-1, drilled in 1983, discovered 141 metres of net gas sand within stacked reservoirs of the Mungaroo Formation of Late Triassic age. The Wilcox-1 test reached total depth at 4,007metres subsea, still within the Mungaroo Formation. The appraisal well, Wilcox-2, drilled in 1985, found the Mungaroo Formation to be water bearing. The Wilcox structure is a northeast-southwest oriented faulted block, which lies on the southwestern extension of the Rankin Trend. The structural closure is bound to the northwest by a high angle fault and it has dip closure on both sides of this bounding fault. The north-westerly down thrown block remains untested. The Mungaroo Formation is overlain by onlapping units of the Forestier Claystone, a Barrow Group equivalent, and the overlying Muderong Shale, which provides a top seal to the underlying Mungaroo formation gas reservoir. The depth of the gas bearing reservoirs in the Wilcox Field range from 3,474 to 3,878 metres subsea. Preserved porosities are good, measuring from 21% to 17%. The sandstone reservoir produced gas flow rates of 23.6 – 38.9 million cubic of gas per day, and condensate to gas ratios ranged from 52 to 57 barrels per million cubic feet of gas.

The Dixon Field discovered in 1984 with the Dixon-1 well lies a little over 5 kilometres from the northernmost graticular block in WA-330-P. The well encountered hydrocarbons in both the Tithonian to Berriasian Angel Sandstone reservoir and in the deeper Triassic – Mungaroo Formation. The Dixon structural architecture comprises a shallow Tithonian to Berriasian Angel Sandstone reservoir draped over the tilted fault block of the underlying Triassic-Mungaroo Formation. The tilt block is fault bound with down throw to the south of approximately 700 metres. Down throw of this magnitude has juxtaposed shales of the late Jurassic – Dingo Claystone directly against the Mungaroo Formation reservoir at the fault face. A published cross section of the field illustrates that it may have been possible for

the Dingo Claystone to have directly face-loaded the Triassic-Mungaroo Formations with a hydrocarbon charge at the faulted contact of the two formations. A total of 156 metres of net gas sand are present within the Mungaroo Formation from 3,791 to 4,206 metres subsea. Porosities over this interval are generally in the order 10-12%, but do range up to 17%.

The overlying Angel Sandstone Formation drape closure in Dixon-1 contained at least a 29 metre gas column. However, technical problems forbade the testing of either the Angel Sandstone Formation or the deeper Mungaroo Formation.

The Tidepole Field is an oil and gas field discovered in 1975 in a down thrown terrace block at the southern flank of the giant Goodwyn Gas Field. It lies a little over 8 kilometres north of WA-330-P. The Tidepole structure is represented by a sequence of Triassic-Mungaroo Formation reservoir sandstones rotated with 8-10° of dip to the northwest, which is bound to the west and northwest by the Goodwyn South and Goodwyn fault blocks. The eastern flank is regarded as a major erosional escarpment overlain and sealed by sediments of the Muderong Shale Formation. The sandstone units correlate with those in the adjacent North Rankin and Goodwyn Fields and they support a gross hydrocarbon column of 402 metres, which includes 19 metres of net oil bearing sandstone in the lowermost sandstone sequence. Tidepole-1 tested this oil rim, which flowed at 3,317 bbs/day of 36° AP1 oil accompanied by 2.8 million cubic feet of gas per day. Porosities within the Mungaroo Formation sandstones generally lie within the range of 17-19% and permeabilities are considered fair to good.

### **The Dampier Sub-Basin-Structural Controls**

Permits WA-323-P, WA-330-P and WA-321-P overly sediments of the western Dampier Sub-basin. The limits of the sub-basin itself are defined by the Rankin Fault System to the northwest and the Rosemary and Flinders Fault systems to the southeast (Figure 7). In the strike direction, the sub-basin opens into the Barrow Sub-basin to the southwest and into the Beagle Sub-basin to the northeast. The geometry of the earliest Jurassic sedimentary fill and its relationship to the underlying Triassic strata indicate that the depocentres are synclines rather than grabens or half grabens. The synclines appear to have formed in the late Triassic or earliest Jurassic. The north-westerly bounding flank of the Dampier sub-basin, the Rankin Fault System, is considered by some writers to be the major crustal fault system in the southern reaches of the of the North West Shelf continental margin. Overall, it extends in excess of 500 kilometres east and northeast from the Long Island Transfer Fault beneath the Southern Exmouth Plateau to the central Beagle sub-basin in the far northeast.

The south-easterly bounding flank of the Dampier sub-basin, the Rosemary Fault System, is a high-angle fault that may be antithetic to the Rankin Fault System at depth. These two fault systems have probably controlled the deposition of clastic hydrocarbon source rocks during the later Jurassic and Cretaceous periods. The north-western Rankin Fault System flank is associated with large rift-related horst block traps which host giant fields such as the Goodwyn, North Rankin and Echo-Yodel wet Gas Fields, and the down thrown saddle trap, the Perseus Field. The central sub-basin area contains the low relief Berriasian-Tithonian oil filled drape traps overlying deeper horst and tilt block rift related gas filled traps. Wanaea and Cossack, Lambert, Mutineer and the Egret Oil Fields are examples of this configuration. Angel Field belongs structurally to this grouping but contains only wet gas. The Wanaea, Cossack and Angel Fields have received structural enhancement by later Tertiary tectonic inversion. The eastern flank of the Dampier Sub-basin hosts accumulations at the base of the regional seal and includes a variety of trap styles from downthrown roll-over traps, such as Legendre, to the Wandoo and the Stag Oil Fields, both of which are drape anticlines over block faulted features, with an onlap component in the latter. The small accumulations at Sage and Saffron would appear to be roll-over traps. The Reindeer Field and the Caribou Field occur in Legendre Formation – Middle Jurassic sandstones, the former beneath a thick Jurassic shale unit. The Dampier Sub-basin contains a number of structural sub-units these include two linear synclinal depressions, the Lewis Trough and the Kendrew Trough and two anticlinal trends. The Madeleine – Hartog anticlinal trend separates the Lewis Trough from the Kendrew Trough, and the Legendre Trend parallels the Rosemary Fault System on the south-easternmost flank of the Lewis Trough. Both the Madeleine and the Legendre Trends appear to be related to inversion or reactivation of major basin-forming faults during the Cretaceous. Permit WA-321-P is mostly located over the Lewis Trough, while the northern and westernmost graticular blocks share the crest of the Madeleine - Hartog Trend with Permit WA-330-P. Permit WA-323-P, the westernmost of the group of three permits, occupies the flank of the Parker Terrace, with the axis of the Parker - Dixon anticlinal trend bisecting the permit in a northeast – southwest orientation.

Importantly, for the most part the permits lie updip from the axis of the main hydrocarbon generative axis in the deep Lewis Trough.

### **The Dampier Sub-Basin Stratigraphy**

The Dampier Sub-basin contains more than 10km of sedimentary section made up of pre-rift, syn-rift and post-rift sequences that range from Triassic to Tertiary in age (Figure 8). The pre-rift section encountered in the Dampier Sub-basin is dominated by sediments of Triassic and Early Jurassic age. Earlier sediments of Permian age have been penetrated in only two wells in the greater Dampier Sub-basin area; Enderby-1 and Hampton-1, both of which are located on the Enderby Platform south and east of the Rosemary Fault system, and therefore just outside of the sub-basin here defined. The Triassic sediments are represented for the most part by the Locker Shale, a potential source rock, and the overlying and partly time-equivalent Mungaroo Formation, the sandstone bodies of which host most of the gas and oil on the Rankin Platform.

Early syn-rift sediments are represented by the fluvio-deltaic to nearshore Legendre Formation and the time equivalent fine-grained marine to marginal marine sediments of the Athol Formation. Deposition of both of these formations has been controlled to a large extent by syn-sedimentary fault movement on the bounding basin faults along the Rankin Trend to the northeast, and by the Madeleine and Rosemary Faults which bound the sub-basin to the southeast. The Lewis Trough depocentre alone contains an estimated 5,000 metres of Legendre and Athol Formation sediments. The late rift sedimentation was initiated by the deposition of the shallow marine transgressive Calypso Formation, typically displayed as wedge shaped sedimentary geometries infilling half-grabens on the Rosemary Fault Trend or as represented by fringing aprons against the Rankin Platform. This transgressive unit overlies the delta and coastal plain deposits of the Legendre Formation and rests on the 160Ma Callovian sequence boundary and marine transgressive surface. A later deepening event brought offshore sedimentation to the sub-basin and replaced the nearshore Calypso Formation with finer clastic sediments of the Eliassen Formation of *W. spectabilis* palynozone age. This transition can be seen in Madeleine-1, approximately 50km to the northeast of WA-321-P and WA-330-P. The Post-rift sequence was initiated by continental break-up and sea floor spreading in the area to the north of the Dampier Sub-basin. This event is represented in the Dampier Sub-basin by a sub-marine unconformity on the 155Ma sequence boundary, and on top of which the sediments of the Angel Formation, and the time equivalent Dingo Claystone, were deposited. The Angel Formation represents an increase in sediment supply dominated by a gradual shallowing-upwards succession which filled existing bathymetric lows and depressions. The source of Angel Formations is considered to have been derived in part from degradation or remobilisation of pre-existing sediments and their redeposition in slope aprons and channel lobe complexes at the sub-basin margins.

The Late Post Rift sediments are represented by the deposition of the Talisman Sandstone, Forestier Claystone, Birdrong Sandstone, Mardie Greensand and the Muderong Shale. These sediments are separated from the underlying Angel Formation by a transgressive surface, the Valanginian disconformity, considered to have occurred near the base of the *S. areolate* palynozone. Following the inception of this transgression, a classic vertical succession that ranged from the littoral to sublittoral Birdrong Sandstone and equivalent Mardie Greensand to the far basinal Muderong Shale of Hauterivian-Barremian age, was deposited in the sub-basin. Within the earliest Aptian another disconformity, the Aptian disconformity, brought to a close the Muderong Shale depositional environment. The regionally disposed disconformity is believed to have been initiated by disengagement of the Indian Plate from the Exmouth Plateau. Following the disconformity, a radiolarian rich interval, the Windalia Radiolarite was deposited. This interval, like the underlying Aptian disconformity, is distributed throughout the North West Shelf basins.

The advancement of open ocean circulation, due in part to thermal collapse of the Dampier Sub-basin and in part to a rise in sea level, resulted in the inundation of clastic source areas. Consequently, clastic sedimentation gave way to a largely carbonate dominated suite of lithologies. Offshore the carbonate rich sediments of the Haycock Marl were deposited conformably over the Windalia Radiolarite and inshore the time equivalent shales and siltstones of the Gearle Siltstone were deposited. With increasing oceanic influence in the succeeding Santonian, the Toolonga Calcilutite was deposited and, shortly thereafter, it was removed on the south-eastern margin of the sub-basin, by a relative fall in sea level at the end of the Santonian. Following this particular relative fall in sea level, estimated to have been in the order of 70 to 100metres, the Campanian - Withnell Formation was deposited over the late Santonian unconformity. The Withnell Formation is a siliciclastic formation, which north of the Goodwyn area grades to marl. In the subsurface the formation has a regional dip from a depth of approximately 400metres on the eastern margin of the basin, to in excess of 2,500metres over the Rankin Platform, a little over 100kms to northeast. The Withnell Formation at the Rosemary-1 location is 600metres thick, the uppermost 170metres of which is developed in a fine grained glauconitic and argillaceous sandstone. A more reservoir prone section in the Withnell Formation awaits discovery in the Dampier Sub-basin. Examination of seismic profiles illustrate that the Withnell Formation contains examples representative of high-energy environments of deposition, which include canyon incision at the base of the formation and, at other locations, mounding, chaotic internal seismic reflection geometry and the presence of local channelling.

The Cretaceous was succeeded by basal Palaeocene sandstones of the Lambert Formation, with remaining Tertiary formations largely developed in carbonate facies.

### **Stratigraphy – The Major Hydrocarbon Play Elements – Described Formation by Formation**

The stratigraphic cross section (Figure 9) represents the stratigraphy and hydrocarbon plays of the Dampier Sub-basin in permits WA-323-P, WA-330-P and WA-321-P.

The following analysis describes the essential key play elements contained within each major stratigraphic formation, and their likely contribution to the prospectivity for the accumulations of hydrocarbons.

#### **Mungaroo Formation**

The Mungaroo Formation provides excellent reservoir quality sandstones that host the wet gas accumulations in the North Rankin, Echo-Goodwyn, and the smaller oil and condensate fields such as Eaglehawk, the Searipple Field, Wilcox, Tidepole, Dockrell and Rankin Fields.

The sandstones range from fluvial, through estuarine to marginal marine, with bedforms derived from channels, bars, beach and washover sands. Interbedded flood plain claystones and coals provide source potential for the generation of hydrocarbons. The sandstones themselves are fine grained to pebbly and kaolinitic, they retain excellent porosity and permeability, even with burial, and therefore have good producibility characteristics, even at considerable depths.

### **Brigadier Formation**

The Brigadier Formation is a shallow marine shelf deposit that contains organically rich shales and thinly bedded sandstones. It forms an important reservoir unit at the Eaglehawk Field location where it hosts a 13.9 metre net oil sandstone. Whilst the reservoir quality at this location was variable, the porosities ranged between 15% and 22%, producing 1,645 barrels per day of 29°API oil. The uppermost gas reservoir sandstone at Dockrell Field is also hosted in sediments of the Brigadier Formation. Measured porosities from the well, only some of which are representative of the Brigadier Formation, range between 14% and 19%.

### **North Rankin Formation**

The North Rankin Formation, overlying the marine claystone interval of the Brigadier Formation, comprises fine to medium grained sandstones with good reservoir potential. Log interpretation of the bedforms indicates that they coarsen upwards and may thus have a barrier bar or beach deposit origin. Low percentages of microplankton indicate that they were deposited in a marginal marine environment. The North Rankin Formation hosts a substantial portion of the reserves of the North Rankin Field.

### **Murat Siltstone**

The Murat Siltstone is a dominantly fine grained marine claystone unit which overlies the Mungaroo, Brigadier and, locally, the North Rankin Formation. It is of early Jurassic-Pliensbachian age. The Murat Siltstone, locally, acts as a seal or cap rock for hydrocarbon accumulations in older reservoir sequences, such as the 133 metre gas column encountered in the North Rankin Formation at the Lambert-2 location. It acts as the top seal for the small Searipple Field, which is developed below the Perseus Field. The Murat Siltstone also has a useful regionally correlateable limestone unit, developed near the base of the formation.

### **Athol Formation**

The Athol Formation is a marine claystone unit, time equivalent to the Legendre Formation, and is Toarcian to early Bathonian in age. The Athol Formation is also considered to have an effective sealing or cap rock capacity, since it provides a lateral fault seal at the Perseus Field location.

### **Calypso Formation**

The Calypso Formation is a Callovian sandstone unit of *W. digitata* - *R. aemula* palynological age; it can be correlated to the Biggada Sandstone at the Barrow Deep-1 location on Barrow Island. At this location the sandstone consisted of massive clean, quartz sandstone, medium to very coarse grained and sometimes granular, with porosities of 20% and permeabilities of 18 millidarcies. The pay thickness at this location was 24 metres; the formation top was encountered at approximately 3,230 metres. At the southern end of Barrow Island, at the Perentie-1 location, the Biggada Formation was encountered at 3,539 metres sub-sea and contained high-pressured gas shows. To the north, in the Dampier Sub-basin, the time equivalent Calypso Formation hosts hydrocarbons at the Perseus Field location; a partially down thrown structural and stratigraphic trap which lies between the giant gas fields of Goodwyn to the west and North Rankin to the east. Calypso Formation reservoirs are also present at the Capella-1 location, on the Goodwyn Block to the northwest of the Perseus Field.

### **Dingo Claystone and the Angel Sandstone**

The Dingo Claystone is considered to be not only one of two major hydrocarbon source rock systems (the other being the Locker shale), but is considered to be the primary source rock system resident in the North West Shelf petroleum province. The thickness of the upper Dingo Claystone is estimated at up to 1,000 metres. It is replaced locally by sediments of the Angel Sandstone Formation which encompasses the *P. iehiense* and the upper *D. jurassicum* palynological zones. The Angel Formation provides the reservoir for the hydrocarbon accumulations at the Wanaea and Cossack Oil Fields and the nearby Angel Gas Field. The sandstones are quartzose and range from very fine to granular in size but are predominantly medium to fine grained. The porosity range observed in the Angel Sandstone in the Wanaea and Cossack Field data varies between 14% and 20%, with the individual field average in the Cossack reservoir between 17% and 18%, and that in the Wanaea Field reservoir at 16%.

The Angel Formation Sandstones provide the reservoir and trap for the uppermost gas accumulation at the Dixon-1 location, approximately 5kms from the northernmost graticular block in WA-330-P. Mechanical problems at the well site precluded testing of the 29 metre gas column in the Dixon-1 – Angel Sandstones, but log interpretation of the sandstone interval indicates porosities ranging from 11% to 17%.

The Angel Formation Sandstones also host a 9.4 metre oil column at the Egret-1 location, approximately 60kms northeast of WA-330-P, which produced 2,729 barrels per day of 39°API oil and gas at 2.8 million cubic feet per day. The porosities within the reservoir section average 19%, with the permeabilities in the range 100-200 millidarcies. The Lambert-1 exploration well, approximately 57kms to the northeast of WA-321-P, also encountered a gross oil column of 10metres within the Angel Sandstone. The reservoir properties were represented by porosities averaging 17%, and permeabilities of 300-700 millidarcies, from which 45°API oil was produced at 375 barrels per day. The top seal for the Angel Formation Sandstone reservoirs at Wanaea, Cossack and in the smaller field locations, is the conformably overlying Forestier Claystone, a time equivalent formation of the Barrow Group. The absence of the Barrow Group “deltas” in the northern Dampier Sub-basin removes the play elements normally associated with such “deltas” in the more southerly basins.

## Muderong Shale

The Muderong Shale and subsidiary facies were built out from the Enderby Platform on the south-eastern flank of the Dampier Sub-basin during the Hauterivian and through to the Early Aptian. Seismic sections, acquired on a northwest - southeast transect across the basin, illustrate a gradual thinning of the Muderong Shale to the northwest and onto the Rankin Platform. The Muderong Shale, in the region of WA-323-P, WA-330-P and WA-321-P, is quite remote from the Enderby Platform, as a result of which it contains little coarse clastic material. The Muderong Shale therefore acts as a regional seal and, where it laps onto the Rankin Platform, it provides top seal to the underlying Mungaroo Formation gas and oil accumulations at the Dockrell, Eaglehawk, Goodwyn, Rankin and Tidepole Fields.

## Hydrocarbon Play Types and Prospectivity in WA-323-P, WA-330-P and WA-321-P

The prospectivity of the Dampier Sub-basin has been enhanced in recent years by the acquisition of numerous 3-D seismic surveys (Figure 10) that have increased seismic resolution.

**The presently recognised play types in WA-323-P, 330-P and 321-P are dominated by sandstones of Late Jurassic age. These sandstones are disposed in two main structural locations:**

- **Madeleine - Hartog Trend structurally enhanced, stratigraphic pinch out play – common to WA-330-P and WA-321-P.**
- **Parker - Dixon Trend (Parker Terrace) drape above structural leads – common to WA-323-P and WA-330-P.**

## Madeleine - Hartog Trend Leads

**The Madeleine - Hartog Trend leads straddle the block boundaries of WA-330-P and WA-321-P; their disposition can be seen in Figure 11.**

The Hartog Trend manifests itself as a NE-SW trending elongate Miocene inversion anticlinal high at Base Cretaceous Unconformity level. A saddle separates the feature from the Dampier High to the northeast and dip closure is well established over the feature. Closure along strike to the northeast is a result of transfer motion along the Madeleine Trend. Seismic mapping of the structure indicates that few faults breach the Base Cretaceous seismic horizon, although a fault is evident in the Cognac-1B area of the culmination.

The first well to penetrate this trend was Withnell-1, drilled in 1976 by BOCAL. The well is interpreted to have been drilled outside of the closure at the Base Cretaceous seismic horizon; to the south of the structural closure. As a result of its far basal location, no effective reservoir was identified in the entire objective Middle Jurassic to Early Cretaceous sequence. Oil and gas shows were encountered in this sequence, but were associated with minor sandstones and siltstones. Maximum porosity within these fine-grained argillaceous sandstones was calculated at 7%.

Cognac-1, 1A, 1B was drilled in 1996 and only basic data are currently available for this well. The well was located on the crest of the Hartog Structure, where faulting was present. A significant reservoir risk was identified prior to the drilling at the Cognac location, due to the lack of reservoir in Withnell-1, which lies a little over 10 kilometres to the southwest. However, given that a significant 128m of net Late Jurassic submarine fan sandstone occurs in Dixon-1, which is interpreted to have been derived from a graben between the Dockrell and Goodwyn High blocks to the north, then considerable potential remains in the WA-330-P and WA-321-P area. The extent of this submarine fan system is not fully known, other than it exists between Dixon and Withnell, possibly draping the northern flank of the Hartog Structure. Cognac-1, 1A, 1B did encounter rare Late Jurassic sandstones, fine to very fine, and rarely coarse, with up to 80% fluorescence shows. Whilst apparently close to the fan's zero edge on the Hartog structure, the Cognac location appears to be juxtaposed more proximally than Withnell to the Dixon fan. The fluorescence shows encountered in the well were best observed down to 3,055m subsea; close to the mapped closure for the structure at approximately 3,000m subsea. Cognac-1 may have been drilled within closure, with the shows indicative of an accumulation in an extremely distal reservoir section adjacent to the sand pinchout.

Subordinate crests of the Hartog Structure are interpreted northeast and southwest of the Cognac-1, 1A, 1B well locations. These closures do not appear to be faulted and fall across the block boundaries of WA-330-P and WA-321-P. It would appear from the foregoing that the key to drilling a successful well on the structure lies in identifying the southern limit of the Dixon Fan. Similarly, a second Late Jurassic submarine fan pinchout trend may occur on the southeastern side of the Hartog Trend in WA-321-P.

Whilst four-way dip closures will provide least risk for closure, stratigraphic traps may be identified along the north-western and south-eastern extension of the Madeleine - Hartog Trend. The operator has indicated that the focus for an evaluation of this play, as submitted through the work programme, will be:

- Model driven seismic reprocessing to identify the zero edge of the fan.
- Sequence stratigraphic analysis of the Dixon fan and of the Late Jurassic sedimentary section in the area.
- Creation of regional knowledge of the Late Jurassic depositional settings.

### **Parker - Dixon Trend (Parker Terrace) Leads**

The Parker - Dixon Trend (Parker Terrace) Leads occur in the northwest graticular blocks of WA-330-P and trend south-westwards into the adjacent WA-323-P license – permit 2. They lie northwest of, and parallel to the leads described above on the Madeleine - Hartog Trend. The Parker Terrace was first explored with 1979/1980 well – Parker-1. The well was drilled to test a tilted fault block containing Early Jurassic to Late Triassic sandstones. The Early Jurassic sandstones and claystones were successfully encountered at 4,194 metres (BRT) and the well was finally abandoned in sediments of the same age at a total depth of 4,737 metres (BRT). The well encountered gas shows and confirmed the presence of potential reservoir sandstones.

A further attempt to examine the potential of the eastern extremity of the Parker Terrace was made with the Webley-1 exploration well in 1998/99. The well encountered high well bore pressures and suffered two gas “kicks”, the high pressures forcing the curtailment of the programme, with the well plugged and abandoned before reaching its objective.

The structural prospectivity within WA-323-P and northwestern WA-330-P therefore remains comparatively untested, both within the Late Jurassic and within the “pre-rift” Early Jurassic and Triassic sandstones.

The operator has indicated that further evaluation of structural leads along trend with the Parker - Dixon Terrace will be evaluated through seismic reprocessing, reinterpretation and subsequent mapping.

### **Exploration and Expenditure Programmes**

WA-321-P and WA-323-P, which were made at the same time, and they share similar work programmes. In both cases the company has committed to collecting existing data, both seismic and well data; including some from adjacent permits, and it will integrate these data sets.

In WA-323-P the company has committed to acquiring and reprocessing 180 square kilometres of existing 3-D data (Parker 3-D Survey) and interpreting the areas of interest. In WA-321-P the company will acquire not less than 1,500kms of pre-existing seismic data reprocess it and interpret areas of interest. The minimum work proposal in WA-323-P will involve the acquisition and processing of 400 kilometres of new 2-D seismic, in WA-321-P the commitment will require the acquisition processing and interpretation of 500 kilometres of new seismic data. Should the company so wish, it has the right to enter into a further three year programme of exploration on the successful completion of the earlier three year work programme in both permits.

The second three year work programme in WA-323-P will include the obligation to drill one exploratory well and the acquisition of 400 kilometres of new seismic data. In WA-321-P the second three year programme will also include the drilling of one well and the acquisition of 400 kilometres of new seismic data.

The block WA-330-P was the subject of an award made one year later than those for the neighbouring WA-321-1 and WA-323-P permits.

Commitments made for the WA-330-P permit during the first three years programme will involve acquisition and integration of existing seismic, well data and the acquisition and reprocessing of 240 square kilometres of the existing Parker 3-D seismic data set. These data will be integrated and interpreted. In the final part of the first three year programme, 400 kilometres of new 2-D seismic will be acquired and processed.

If the company so wishes, it has the right to enter into the second three year programme on the successful completion of the previous program. This secondary programme will attract further interpretation and integration work and the obligation to drill one exploratory well.

In the opinion of the author, the company has developed and committed to a satisfactory and clearly defined work programme, which is reasonable having regard to the stated objectives of the company.



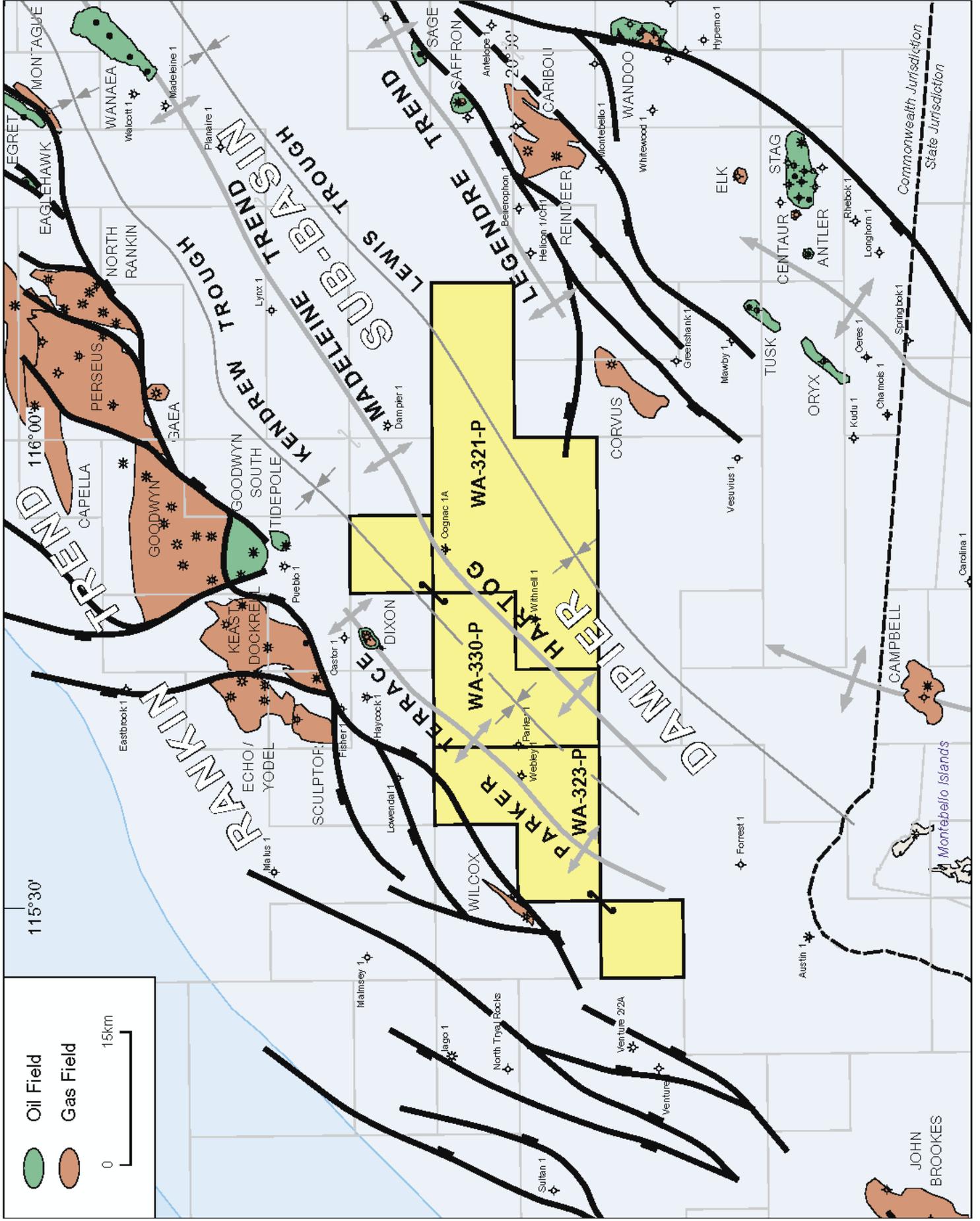


Figure 7 Structural elements map Dampier Sub-basin

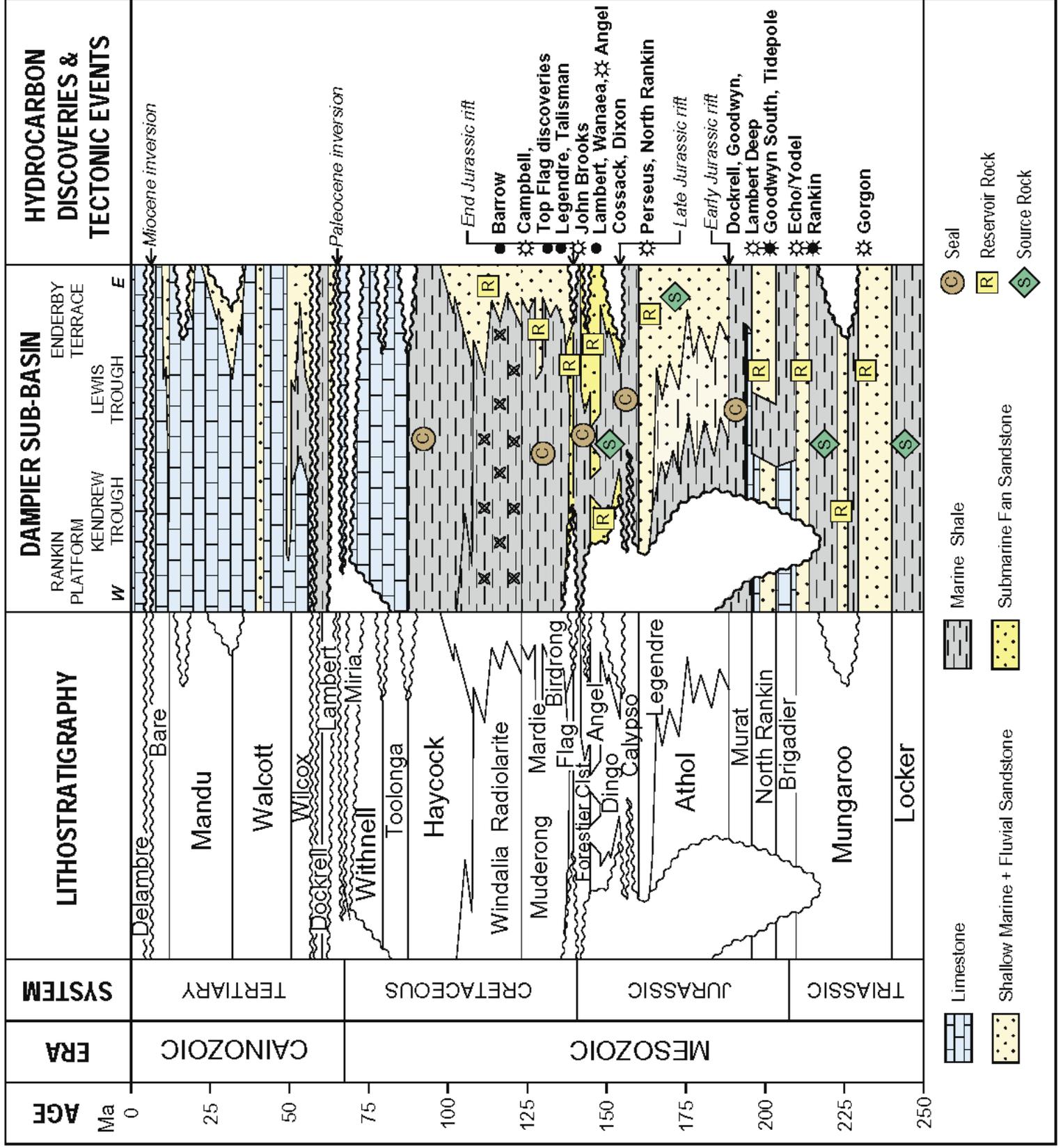


Figure 8 Generalised stratigraphy Dampier Sub-basin

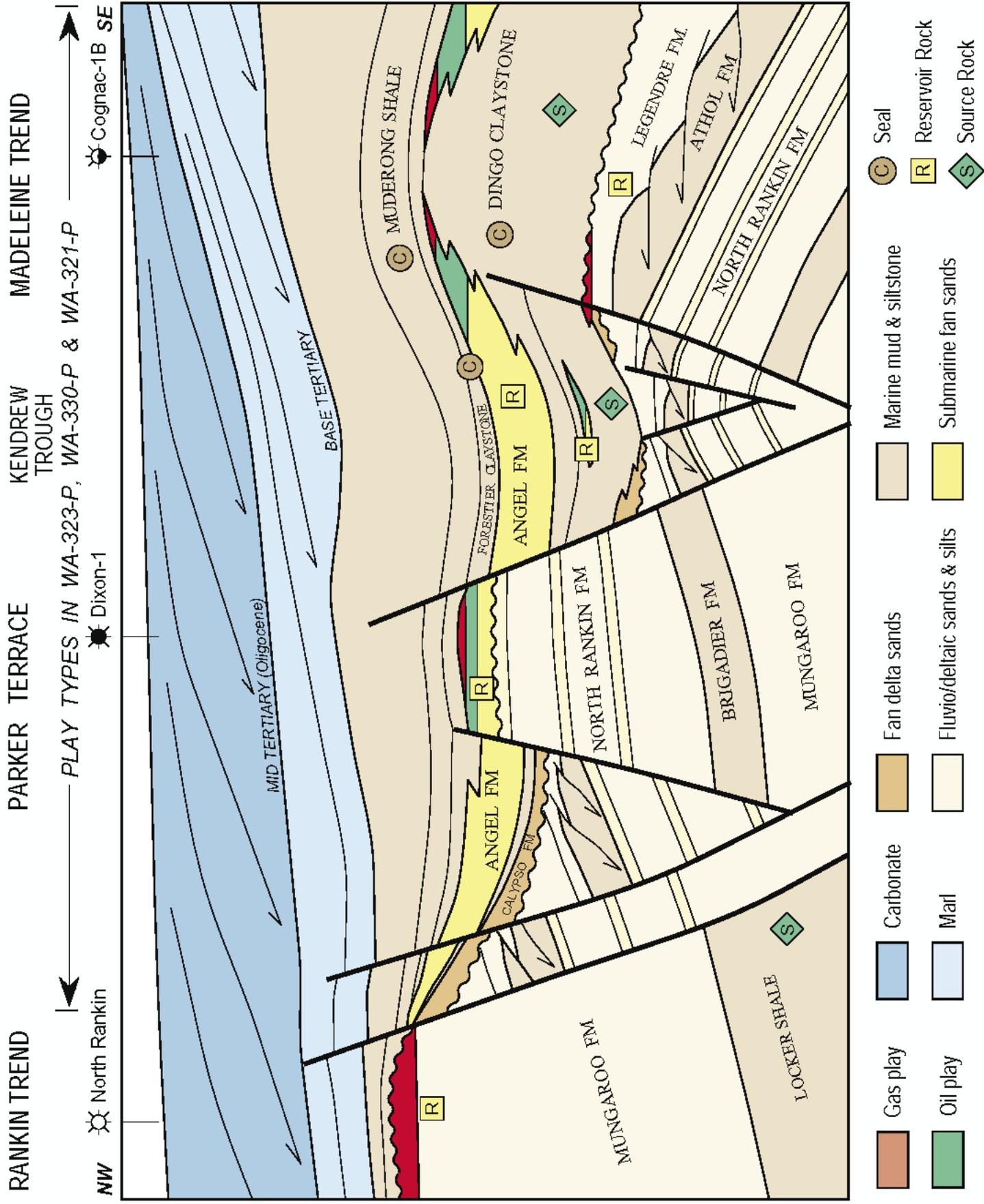


Figure 9 Schematic geological cross-section showing play types in WA-321-P, WA-330-P and WA-330-P

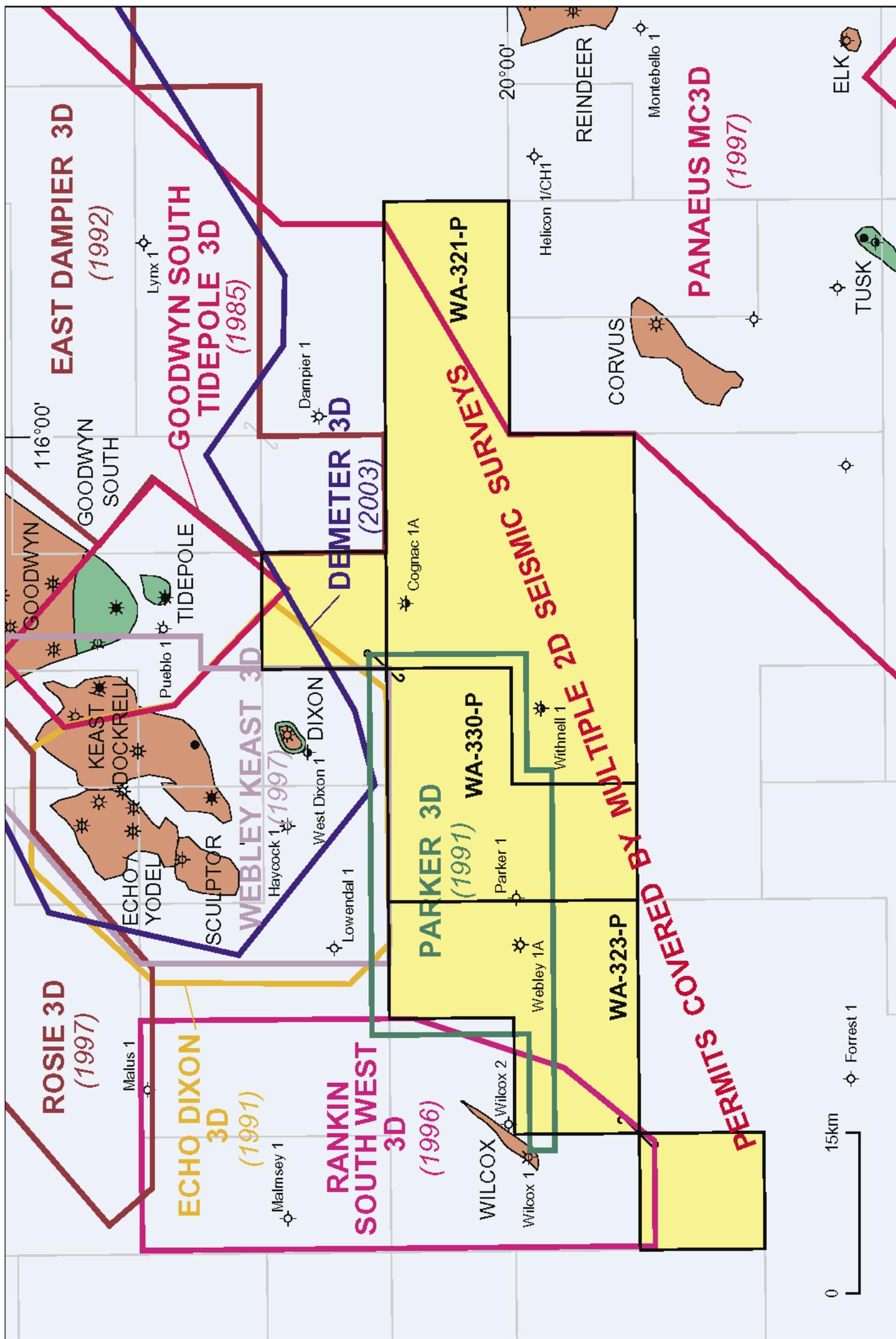


Figure 10 Seismic survey basemap Dampier Sub-basin

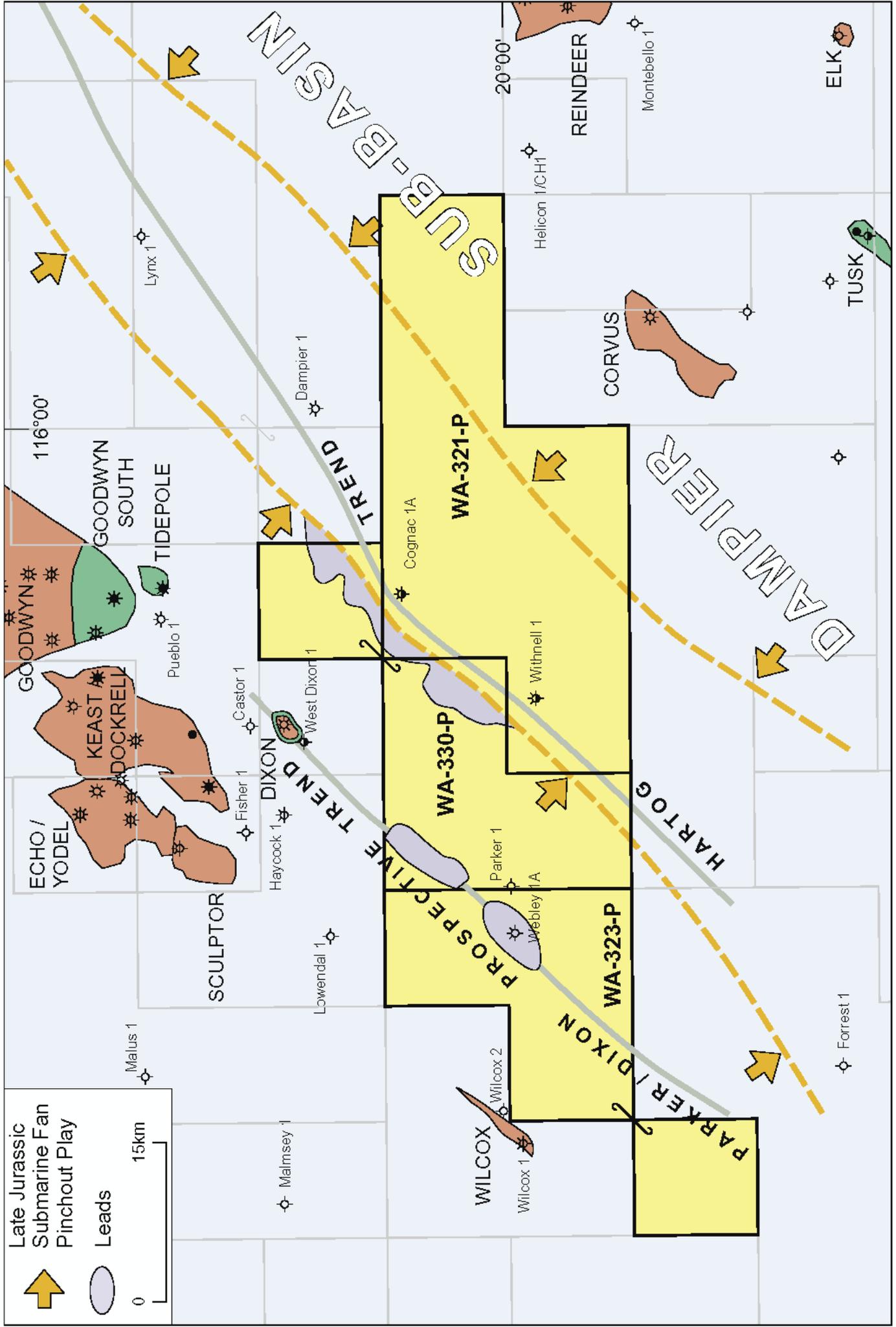


Figure 11 Leads map Dampier Sub-basin

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## GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

### **Airborne Magnetism**

Measurement of the earth's magnetic field from a surveying aircraft, for the purpose of recording the magnetic characteristics of rocks.

### **Anticline**

An upwardly convex fold.

### **A\$**

Australian dollar.

### **Barrel (bbl)**

159 litres, 42 US gallons or 35 imperial gallons.

### **BCF**

One billion cubic feet (of gas)      1,000,000,000 ( $10^9$ ).

### **BOPD**

Barrels of oil per day.

### **Condensate**

Hydrocarbons associated with natural gas that are liquid under surface conditions and gaseous in the subsurface.

### **DST**

Drill stem test.

### **Farmin**

Where a company acquires an interest in an area from another company in return for payment of all or part of the company's exploration commitments.

### **Fault**

A fracture surface or zone in a rock along which movement has taken place.

### **Geochemistry**

The study of the abundance of elements in rocks or fluids by chemical methods.

### **Geophysics**

The methods which seek to locate hydrocarbon deposits by direct or indirect measurements of a large range of geophysical properties of the deposits or the rocks and fluids associated with them.

### **"HRDZ" or Hydrocarbon Related Diagenetic Zone**

The occurrence of vertical hydrocarbon seepage through rocks causes compositional changes, usually carbonate deposition, which can be seen on seismic sections as high velocity zones.

### **Hydrocarbon Accumulation**

An in-situ occurrence of oil or gas which may or may not be produced economically.

### **km**

Kilometre(s).

### **Lead**

Anomalous structural or stratigraphic feature not sufficiently defined by geological or geophysical means to classify it as a drillable feature.

### **LPG**

Liquefied Petroleum Gas.

### **mmbbl**

Millions of barrels.

### **mmcfpd**

Millions of cubic feet per day.

### **Net Pay**

Reservoir rock containing movable hydrocarbons.

**Prospect**

Anomalous structural or stratigraphical feature sufficiently defined or mapped geologically and geophysically to classify it as a drillable feature.

**Reservoir**

A porous bed of rock that has the ability to contain oil and gas.

**RFT**

Repeat formation test.

**Seal**

Necessary requirement of a sedimentary rock such that it can impede the progress of migrating hydrocarbons.

**Seismic**

A geophysical technique to measure structural and stratigraphic characteristics of subsurface rocks using surface energy sources. Shock waves produced at the surface penetrate the subsurface and are reflected off the rock interfaces back to the surface, where sophisticated recording and processing technologies allow one to map the subsurface geology to be mapped.

**Source**

Organic matter contained in a rock, which when sufficiently buried will generate hydrocarbons.

**TCF**

One trillion cubic feet (of gas)      1,000,000,000,000 ( $10^{12}$ ).

**2-D and 3-D Seismic**

A geophysical technique measuring time for a sound wave to travel into the earth and return which is used to display subsurface structure in the two dimensional sense.

**RFT**

Repeat formation test.

**Seal**

Necessary requirement of a sedimentary rock such that it can impede the progress of migrating hydrocarbons.

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A geophysical technique measuring time for a sound wave to travel into the earth and return which is used to display subsurface structure in the two dimensional sense.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

### **28. RESPONSIBILITY STATEMENT**

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

Each Director of the Company consents to the lodgment of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

This Prospectus is prepared on the basis that:

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

This Prospectus is dated the 10th day of November 2003.

Signed on behalf of Octanex NL

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E G Albers  
Chairman

## DEFINITIONS

### 29. DEFINITIONS

Certain expressions are used throughout this Prospectus that are not defined in the various independent experts' reports. Unless otherwise stated or unless inconsistent or repugnant with the context in which the expression is used, each of the following expressions have the meaning set out below:

"\$" or "A\$" means references to dollar amounts in Australian currency.

"US\$" means references to dollar amounts in United States of America currency.

"NZ\$" means references to dollar amounts in New Zealand currency.

"the Act" means the Corporations Act 2001 as in force within Australia.

"ASIC" means Australian Securities and Investments Commission.

"Associates" has the meaning given to that term in the Corporations Act 2001.

"Business Day" means, generally, those days other than a Saturday, Sunday, New Years Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day which NSX shall declare and publish as not a Business Day.

"the Company" or "Octanex" each mean Octanex NL ( ABN 61 005 632 315).

"Cue Energy" means Cue Energy Resources Limited (ACN 066 383 971).

"Dampier Joint Venture" means the joint venture constituted by the joint venture operating agreement effective 25 November 2002 between the Company and Strata as referred to in Section 17.1 as amended and modified by the terms of the farmin by RMMI.

"Directors" or "Board" means the Directors of the Company.

"Exmouth Joint Venture" means the joint venture constituted by the joint venture operating agreement effective 25 November 2002 between the Company and Strata as referred to in Section 17.1.

"G&G" means Geological and Geophysical studies.

"Group" when referring to the means the Company and its subsidiaries from time to time and, when referring to any other corporate entity, means that entity and its controlled or subsidiary entities.

"Issue" means the issue of Shares pursuant to this Prospectus.

"Listing Rules" means the Official Listing Rules of NSX.

"Official List" means the Official List of NSX.

"MEO" means Methanol Australia Limited (ABN 43 066 447 952).

"NSX" means Stock Exchange of Newcastle Limited (ABN 11 000 902 063).

"Prospectus" means this prospectus as modified or varied by any supplementary prospectus made by the Company and lodged with ASIC from time to time.

"RMMI" means Rocky Mountain Minerals, Inc, a company incorporated under the laws of the state of Wyoming in USA.

"Shares" means ordinary shares to be issued and allotted pursuant to this Prospectus.

"Shortfall Securities" means those securities the subject of the entitlements offer comprising the Issue which are not subscribed for by shareholders according to their pro rata entitlement as set out in the terms of the Issue.

"Strata" means Strata Resources NL (ABN 28 007 687 612).

"USA" means the United States of America.

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



ABN 61 005 632 315