

OCTANEX N.L.

ABN 61 005 632 315

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORY

BOARD OF DIRECTORS

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

COMPANY SECRETARIES

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R.J. Wright

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STOCK EXCHANGE LISTING

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Website: www.asx.com.au

ASX Codes:

OXX Ordinary Shares – Fully Paid
OXXCB Ordinary Shares – Partly Paid

INCORPORATED IN VICTORIA

13 March 1980

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FORWARD-LOOKING STATEMENTS

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

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

RISK FACTORS

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

DIRECTORS' REPORT

The directors present their report on the results of Octanex N.L. (**the company** or **Octanex**) and its wholly-owned subsidiaries (**the consolidated entity** or **the group**) for the year ended 30 June 2014. Octanex is a no liability company that is incorporated and domiciled in Australia.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were petroleum exploration and development and investment in that sector.

FINANCIAL RESULTS FOR THE YEAR

The consolidated entity, being the company and its controlled entities, recorded a loss after income tax for the year ended 30 June 2014 of \$3,445,907 including a loss on impairment of exploration assets before tax of \$11,757,478 (2013: loss of \$177,022)

STATE OF AFFAIRS

During the year the group invested in Ophir Production Sdn Bhd and Peak Oil & Gas Limited. Further details of those investments can be found in the Review of Operations.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the company's operations in future years and the expected result from those operations are dependent on exploration and development success in the permit areas in which the group holds interests and the success of the investments in the listed entities, as detailed in this report in the *Review of Operations* and *Investments* sections respectively.

DIVIDENDS

No dividend was declared or paid during the year and to the date of this report.

REVIEW OF OPERATIONS

The Octanex Group currently holds working interests in various petroleum exploration permits and a petroleum retention lease that are situated in the offshore basins of Australia and New Zealand – see the Figure 1 *Location Map*. The Group also holds an indirect interest in a Malaysian Risk Service Contract through a wholly-owned subsidiary – see the Figure 1.

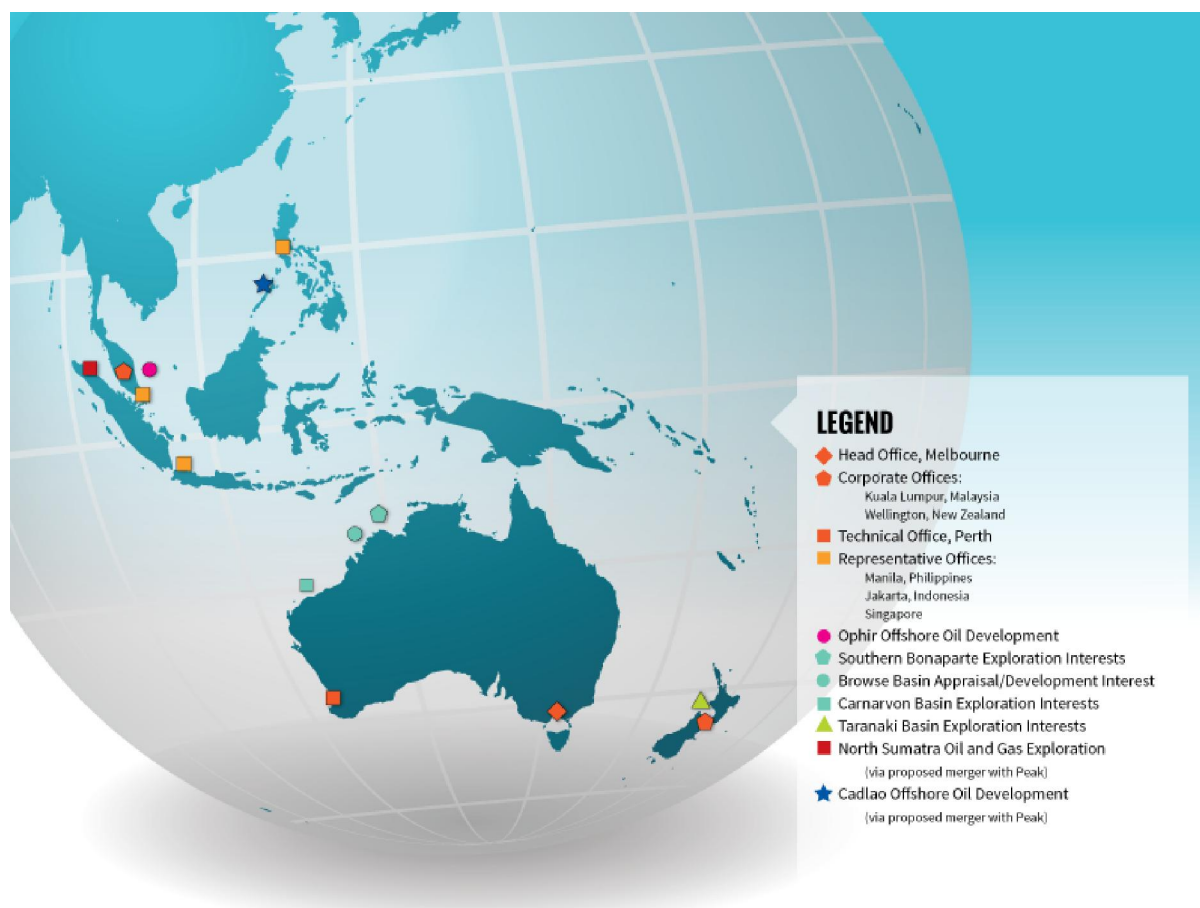


Figure 1: Location Map of the Octanex Group's Offices and Portfolio of Permits

Ophir Oil Field Risk Service Contract, Malaysia

The shareholdings in the Ophir joint venture company consist of:

Octanex Group	50%
Scomi D&P Sdn Bhd (Scomi)	30%
Vestigo Petroleum Sdn Bhd (Vestigo)	20%

Scomi is a wholly-owned subsidiary of Scomi Energy Services Bhd, a Malaysian downstream oil and gas services company listed on the Main Board of Bursa Malaysia. Vestigo is a wholly-owned subsidiary of Petronas and was incorporated in 2013 to focus on the development of small, marginal and mature fields.

Award of the Ophir Risk Service Contract

In June 2014 the Octanex Group, together with its joint venture partners, was awarded a Risk Service Contract (**Ophir RSC**) in respect of the Ophir Field by Petronas – see the Figure 2 *Location Map*. The award of the Ophir RSC was made to the joint venture company, Ophir Production Sdn Bhd (**OPSB**).



Figure 2: Location Map of the Ophir Oil Field

OPSB will develop the Ophir Oil Field via a stand-alone development concept involving the drilling of three production wells from a single wellhead platform to produce into a leased tanker for storage and offloading of crude. The development phase has an approved capital cost of US\$135 million and first oil is expected from the Field in December 2015.

The formal award of the RSC and execution of the related contracts was completed at a ceremony in Kuala Lumpur (see Figure 3) in June 2014. The award of the Ophir RSC is an important milestone for Octanex's broadened strategy to include the acquisition of near term production assets.



Figure 3 *Octanex and OPSB Director, James Willis, receives the RSC award from the Petronas representative, with Octanex appointed OPSB Director, Piers Codling (r), and OPSB General Manager, Frank Jacobs (l), in attendance*

Fiscal Terms

Petronas introduced the RSC model in 2011 as a new petroleum arrangement designed with the objective of intensifying upstream Malaysian oil and gas activities. The RSC model balances the sharing of risks with fair returns for the development and production of discovered small fields. Under the terms of an RSC, the Contractor (in this case OPSB) is the service provider and Operator of the field, while Petronas is the resource owner.

Capital is contributed by the Contractor, with the Contractor compensated via the reimbursement of capital and operating expenditure costs plus a remuneration fee for services rendered. The remuneration fee is linked to production volumes as well as certain key performance indicators.

Ophir Project Finance

OPSB accepted a Letter of Offer for syndicated term loan facilities of up to US\$118.76 million and the provision of a guarantee in favour of Petronas for US\$13.5 million. The facilities are structured to meet 75% of the planned capital expenditure for the development of the Ophir Oil Field, 75% of the first three quarters of the operating expenditure and the cost of the bank guarantee facility of US\$13.5 million. Securing project financing is an important milestone for the development of the Ophir Oil Field.

The tenure of the term loan facilities is up to four years and Octanex has provided a proportionate corporate guarantee and undertaking in respect of the facilities. The finance is to be provided by a syndicate comprised of Malayan Banking Berhad (Maybank), RHB Bank (L) Ltd and United Overseas Bank Limited.

Browse Basin Interests

WA-54-R – Cornea Retention Lease

The Octanex Group holds an aggregate 18.75% interest in the Cornea Retention Lease, WA-54-R (**Lease**).

Award of the Cornea Retention Lease

The Retention Lease was granted for an initial 5-year term in May 2014 and is located in the Browse Basin, offshore from Western Australia. WA-54-R covers the Cornea Location Area of six graticular blocks (approximately 497 km²) located within what was the WA-342-P permit and incorporates the Cornea oil and gas accumulations (**Greater Cornea Fields**). The Greater Cornea Fields include the Cornea (Central and South), Focus and Sparkle Oil Fields and the Cornea North (Tear) Gas Field – see the Figure 4 *Cornea Retention Lease Location Map*.

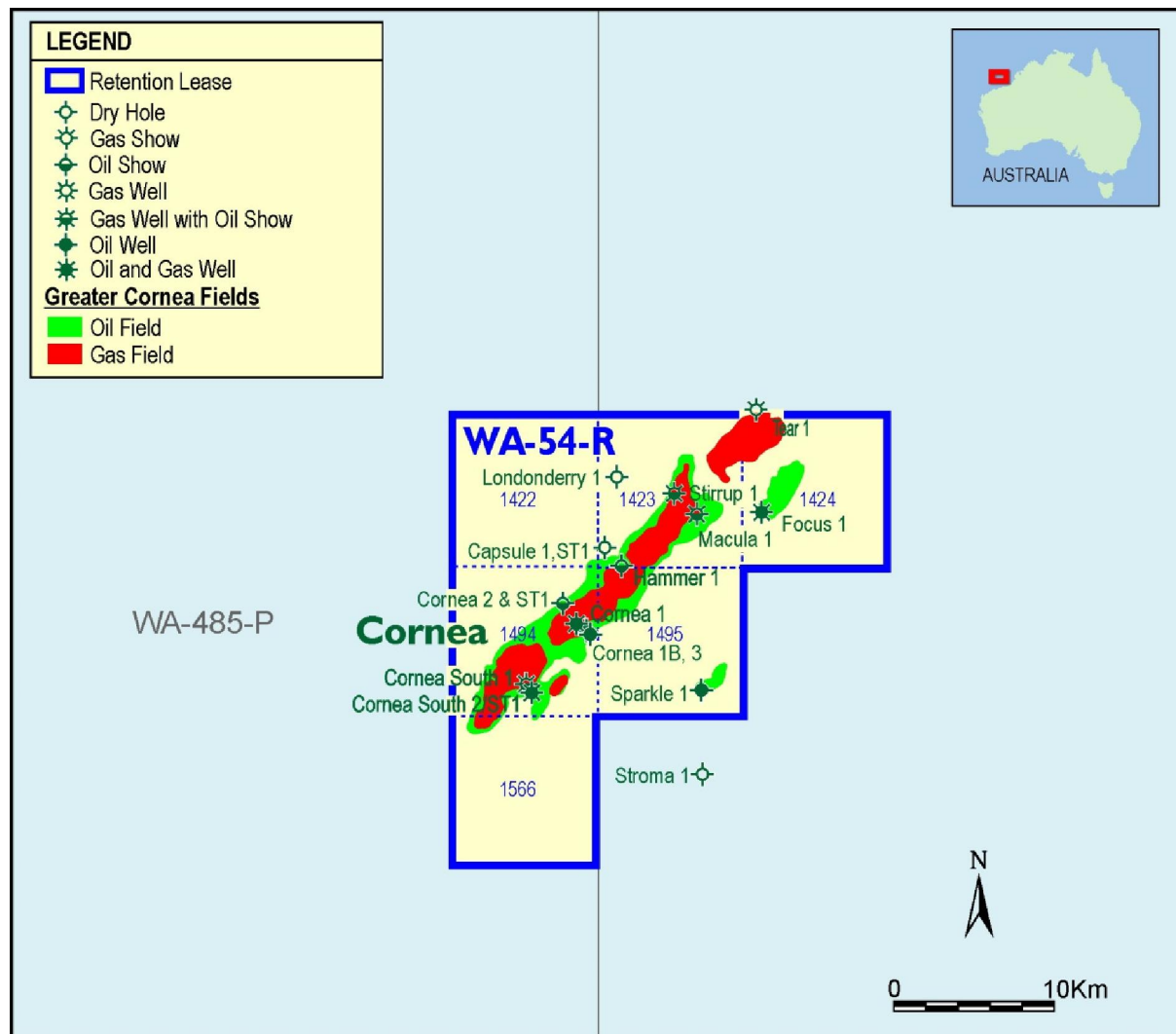


Figure 4: *Cornea Retention Lease Location Map*

Work Programme designed to achieve early commercial production

The Greater Cornea Fields are seen as an economic value opportunity and the path to early development is to overcome the technical challenges to unlock that value as quickly as possible. The work programme calls for extensive engineering and complementary studies. In the main, the studies are a lead up to the first and fundamentally important operational activity of drilling a production test well in Year 4.

The design and required technologies for drilling and producing from what will likely be a horizontal test well are complex. The studies have been structured to overcome the technical challenges likely to be faced in bringing the Greater Cornea Fields into commercial production. The oil and gas volumes in the Greater Cornea Fields are such that, if threshold production flow rates can be demonstrated, the economics should be immediately attractive and provide a reasonable expectation of commercial development.

Development scenario

For the purposes of undertaking a preliminary economic analysis, a full development of the southern portion of the Cornea South and Central Oil Fields, based on 32 producing wells around 3 hubs, was the subject of the economic analysis – see the schematic diagram at Figure 5.

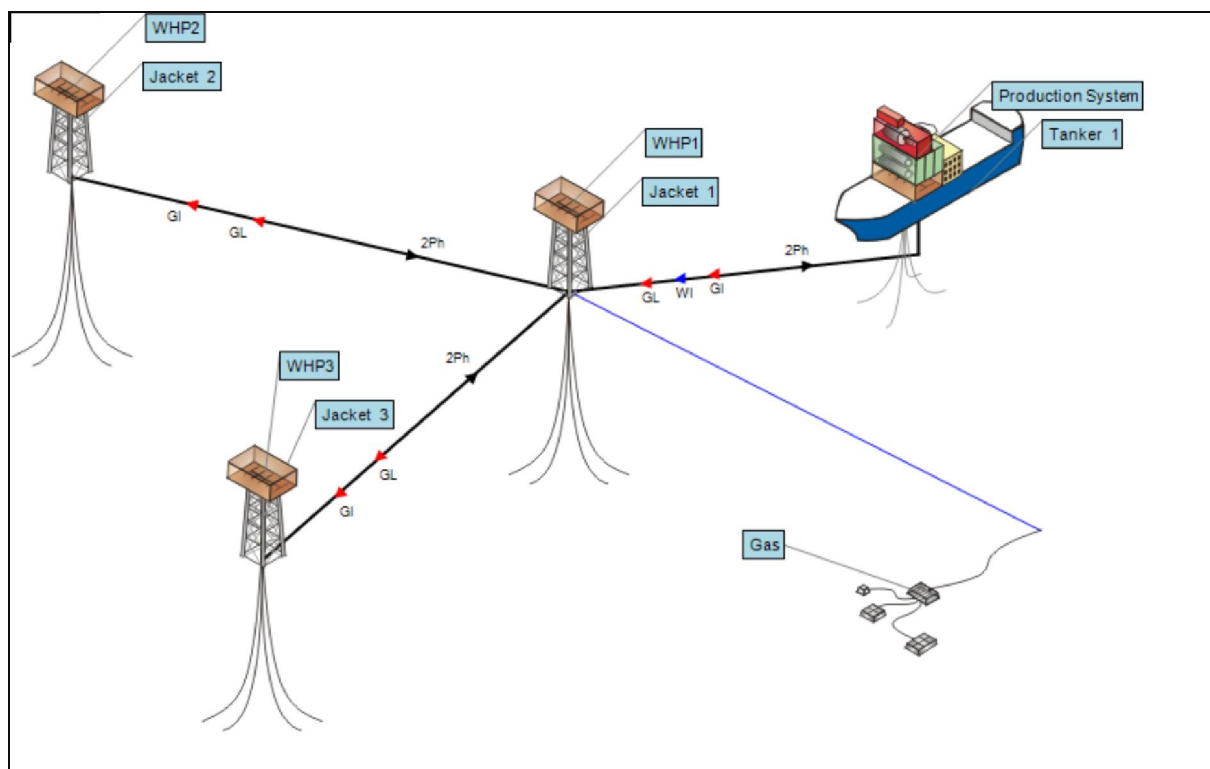


Figure 5: Greater Cornea Fields Preliminary Conceptual Development Schematic

Contingent Oil Resources

The following Table 1 presents the probabilistically derived In-place and Contingent Oil Resources for the Cornea Central and South Oil Fields (100%), with no development risk having been applied in deriving these volumes. The Octanex Group's 'Economic Interest' for the volumes detailed in Table 1 is 18.75%.

Middle Albian B & C Sands	Low Estimate (P90)	Best Estimate (P50)	High Estimate (P10)	Units
Total Oil In-place	298.0	411.7	567.2	mmbbl
Recovery Factor	2	7	25	%
Contingent Oil Resources	7.9	28.8	101.9	mmbbl

Table 1: In-place and Contingent Oil Resources for Cornea Central and South Fields

WA-342-P – Cornea Exploration Permit

Following the grant of the Cornea Retention Lease, the decision was made to surrender the WA-342-P permit.

Carnarvon Basin Interests

WA-323-P & WA-330-P – Dampier Sub-Basin

These permits are held by a Joint Venture consisting of:

Santos Offshore Pty Ltd (subsidiary of Santos Limited)	75% and Operator
Octanex Group	25%

WA-323-P and WA-330-P comprise a discrete project area of 640 km² on the Parker Terrace – see the Figure 6 Location Map. The permits were each granted their first 5-year renewals in April 2011.

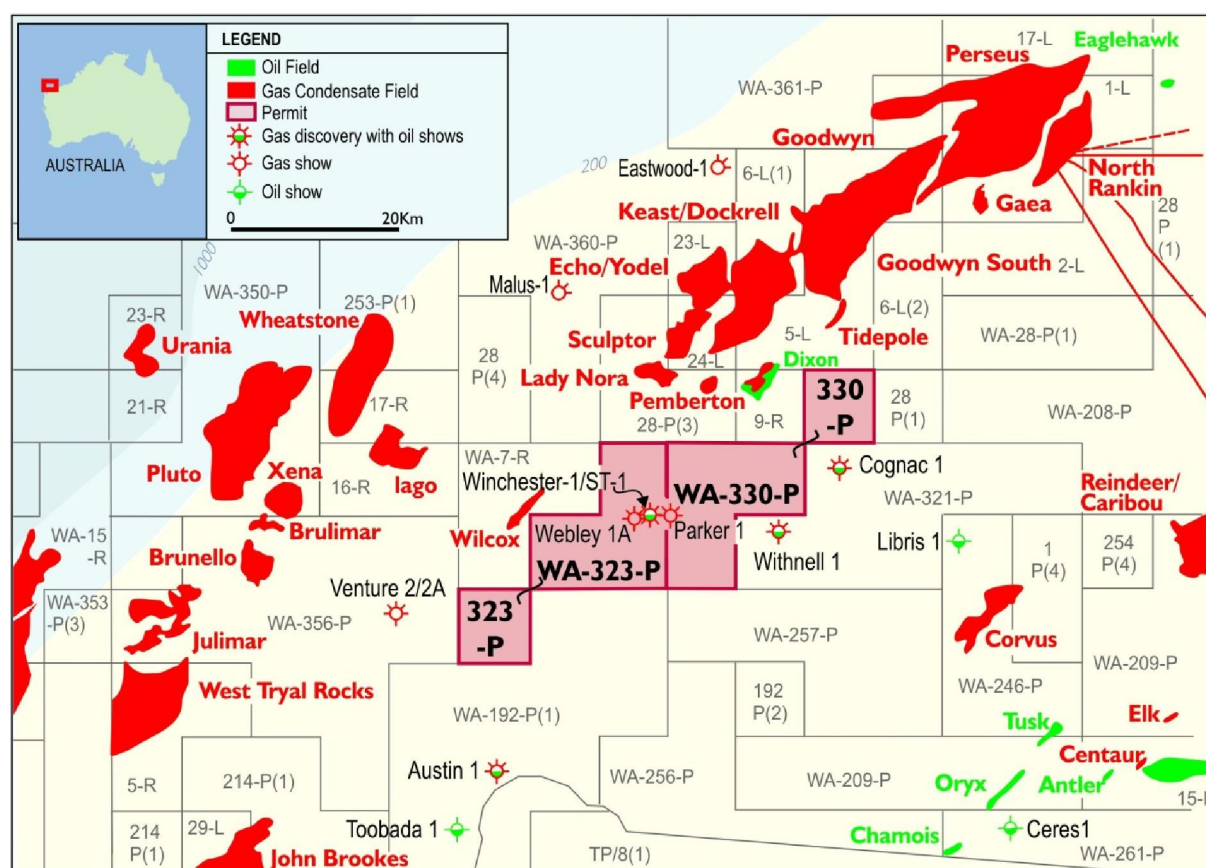


Figure 6: WA-323-P & WA-330-P and Winchester-1/ST1 Location Map

The Winchester-1/ST1 discovery well was drilled from a location within WA-323-P during Q2/Q3 2013 (see Figure 6). The well encountered good gas shows in stacked sands of the Late Jurassic Angel Formation and the Late Triassic Mungaroo Formation. The Santos analysis of the wireline logs, pressure testing and formation sampling of the well confirmed the presence of hydrocarbons and assessed the net gas pay of the discovery as 58m.

Preliminary post-well analysis suggested that the estimated size of the Winchester discovery, by itself, to be insufficient to be developed economically. Further contributions from possible deeper or adjacent hydrocarbon zones to the Winchester location would be required to augment the discovered resource. The Winchester discovery is located near existing pipeline and processing infrastructure and likely future infrastructure extensions.

There is further prospectivity in the Parker tilted fault block where the Parker-1/ST1 well in WA-330-P, located 3.2 km to the northeast of Winchester-1/ST1, drilled a separate structure and encountered gas shows in Triassic

Mungaroo Formation sandstones over a 211m gross interval. These were not logged or tested before the well was abandoned. Reprocessing of the 720 km² Winchester 3D seismic data set should enable better defined additional Triassic targets in the north of WA-330-P and in the vicinity of the Parker-1 well, in particular.

WA-362-P & WA-363-P – Exmouth Plateau

The WA-362-P and WA-363-P Joint Ventures both consist of:

Eni Australia Limited (Eni)	66.667% and Operator
Octanex Group	33.333%

The WA-362-P and WA-363-P permits are located on the northern margin of the Exmouth Plateau, 300 – 400 km northwest of the Western Australian coastline and comprise a combined exploration area of approximately 10,956 km². – see the Figure 7 *Location Map*. The work programme in the both permits calls for seabed coring and studies to be followed by a new 3D seismic survey and an exploration well in the last two years of each permit's term.

Importantly, the Octanex Group remains fully carried by Eni though all exploration activity, including the next well in each permit, should a well be drilled in either or both of the permits.

WA-386-P & WA-387-P – Exmouth Plateau

The WA-386-P and WA-387-P permits comprise a combined exploration area of approximately 7,630 km² – see the Figure 7 *Location Map*. The Octanex Group has a 100% interest in both permits.

The current work programme calls for the acquisition of 2D seismic surveys and studies. Octanex has sought and expects the interest of other exploration companies to join with it in this work.

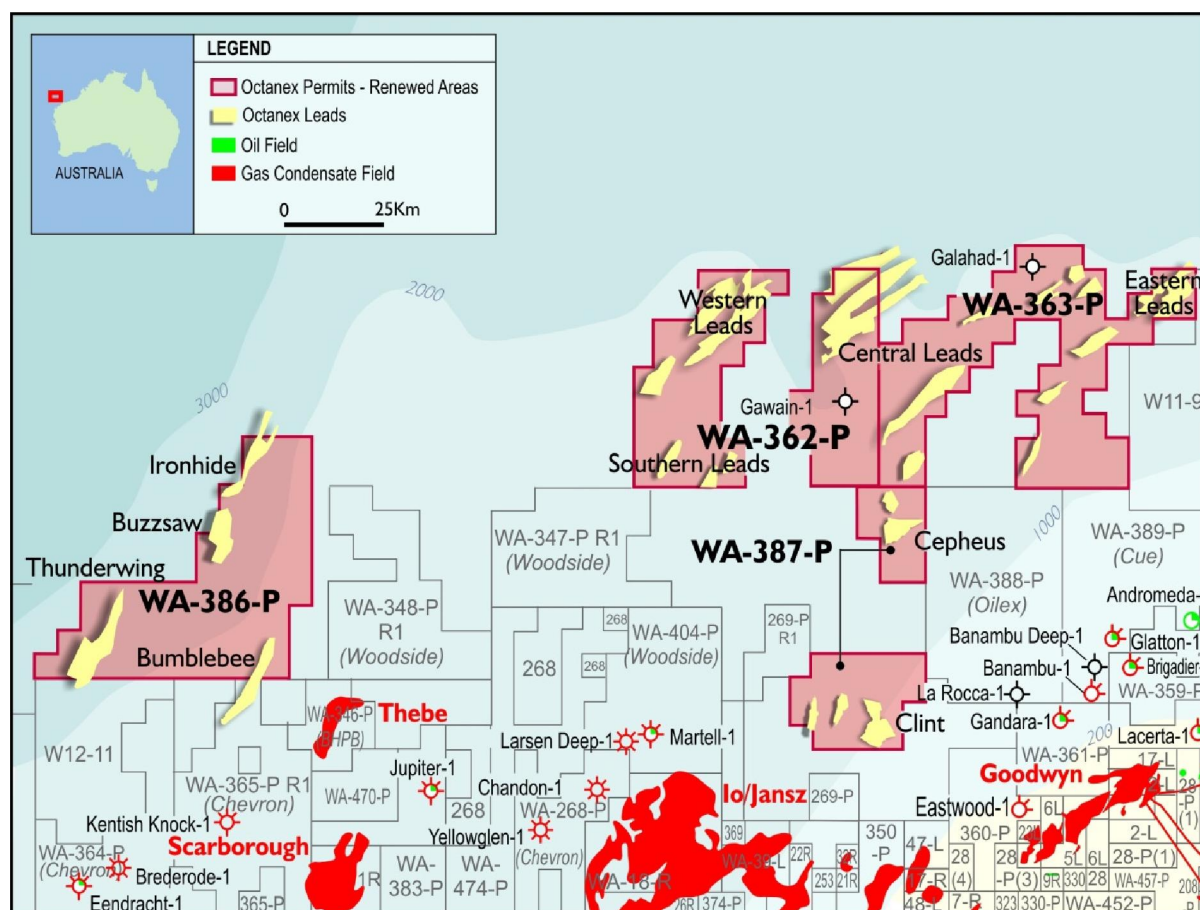


Figure 7: Location Map of Renewed Areas of the Exmouth Plateau Permits

Bonaparte Basin Interests

WA-407-P, WA-420-P and WA-421-P – Southern Bonaparte Basin

The Octanex Group now holds 100% interests in three adjacent petroleum exploration permits in the offshore Southern Bonaparte Basin that comprise approximately 15,535 km² in total. Those permits are WA-407-P, WA-420-P and WA-421-P and they are displayed in the Figure 8 *Location Map*. Following the acquisition of 2D and 3D seismic programmes and related studies, a campaign to farm out the Octanex Group's Southern Bonaparte Basin permit interests was launched.

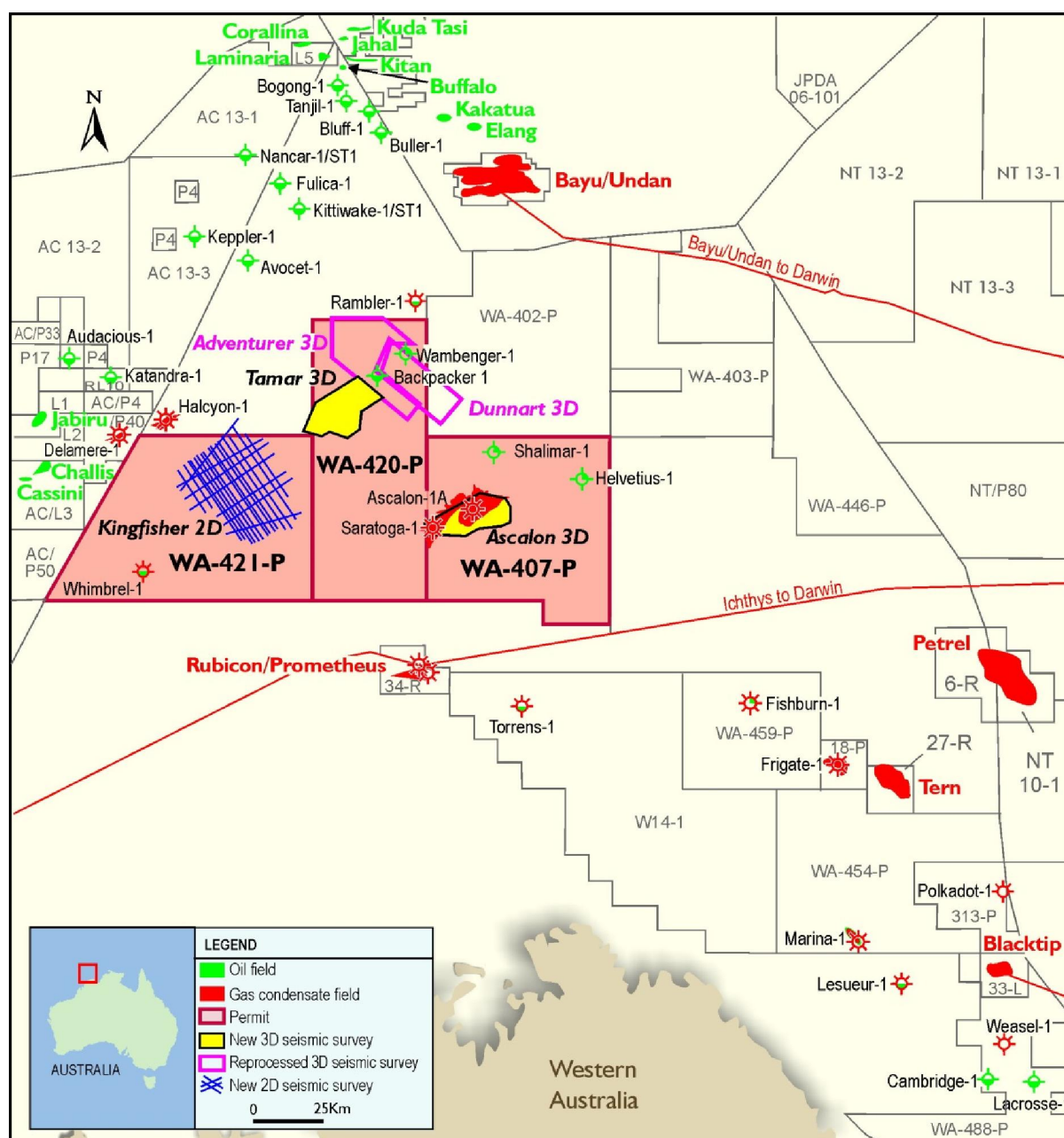


Figure 8: *Location Map of Southern Bonaparte Basin Permits and Completed Seismic Surveys*

The Tamar Nose Oil Play

The Tamar Nose Oil play in WA-420-P and WA-421-P is a structural high that plunges down into the Sahul Syncline source kitchen and provides a natural potential focus for hydrocarbon migration into northern part of WA-420-P and the northeast corner of WA-421-P – see the Figure 9 *Location Map of Postulated Migration*

Pathways. This is supported by the discovery of oil at the Rambler-1 well located to the immediate north of WA-420-P (see Figure 9).

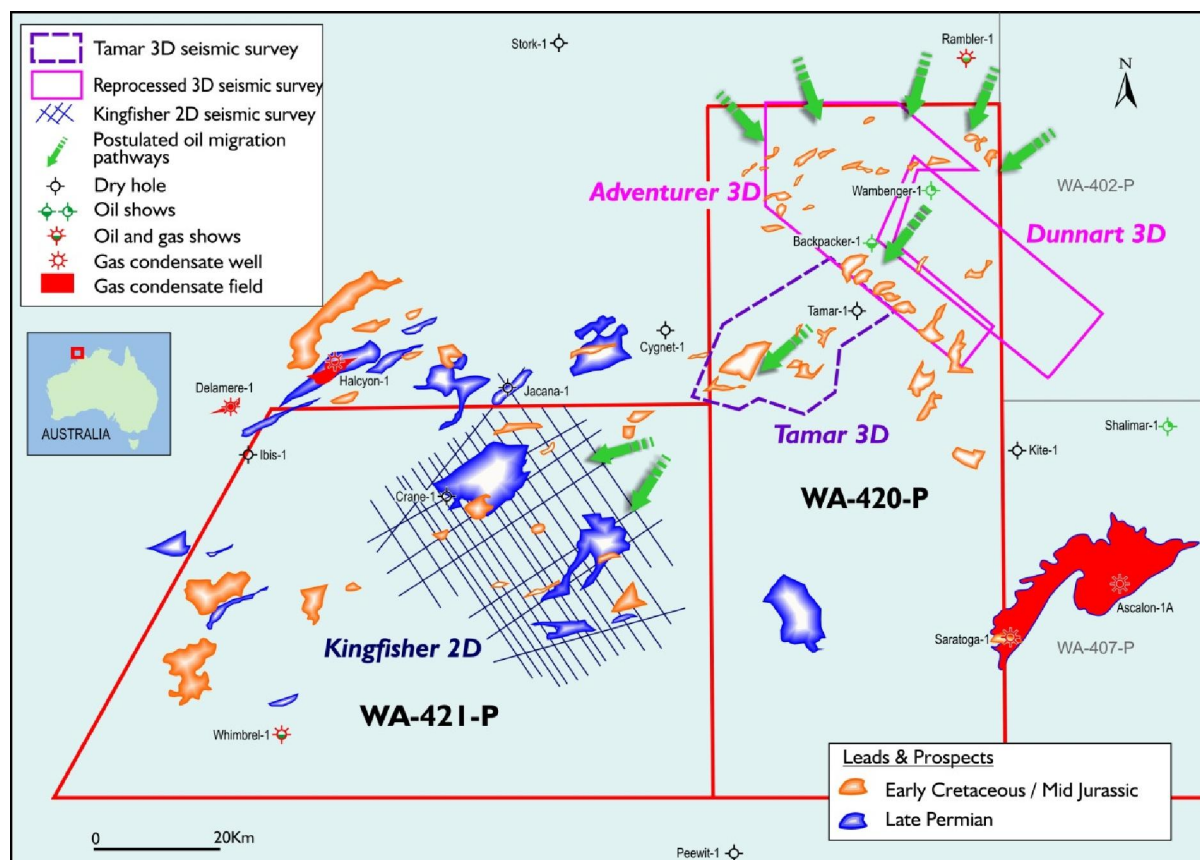


Figure 9: Location Map of Tamar 3D, Kingfisher 2D Seismic Surveys and Postulated Migration Pathways

Three of the four wells drilled on the Tamar Nose have oil shows. Interpretation and mapping of the Tamar 3D seismic, which has been co-reprocessed and merged with the vintage Adventurer and Dunnart 3D data (see Figure 9), provides a combined 1725 km² 3D dataset, indicates the presence of more than 30 potential structural closures in the Early Cretaceous Sandpiper Sandstone Formation play, with the potential for stacked reservoirs both within this play and also the underlying Elang/Plover Formations sandstone play.

In the south of WA-420-P and north-eastern corner of WA-421-P, large structural closures have been identified within the late Permian Hyland Bay Subgroup play, similar to the nearby Ascalon-1A gas discovery in the WA-407-P permit (see Figure 9).

In WA-421-P interpretation and mapping of the new Kingfisher 2D seismic has identified fifteen structural closures in the Sandpiper Sandstone Formation play and eight structural closures in the Late Permian, Hyland Bay Subgroup (Tern and Cape Hay Formations) sandstone plays – see the Figure 9 *Location Map of the Kingfisher 2D Seismic Survey*. Whimbrel-1, the only well to have penetrated the Late Permian play in WA-421-P, encountered oil and gas shows.

The Ascalon and Saratoga Gas Discovery

Important features investigated through the work undertaken in the WA-407-P permit relates to the Ascalon and Saratoga gas discoveries, both discoveries being located in the western sector of WA-407-P – see the Figure 10 *Location Map*.

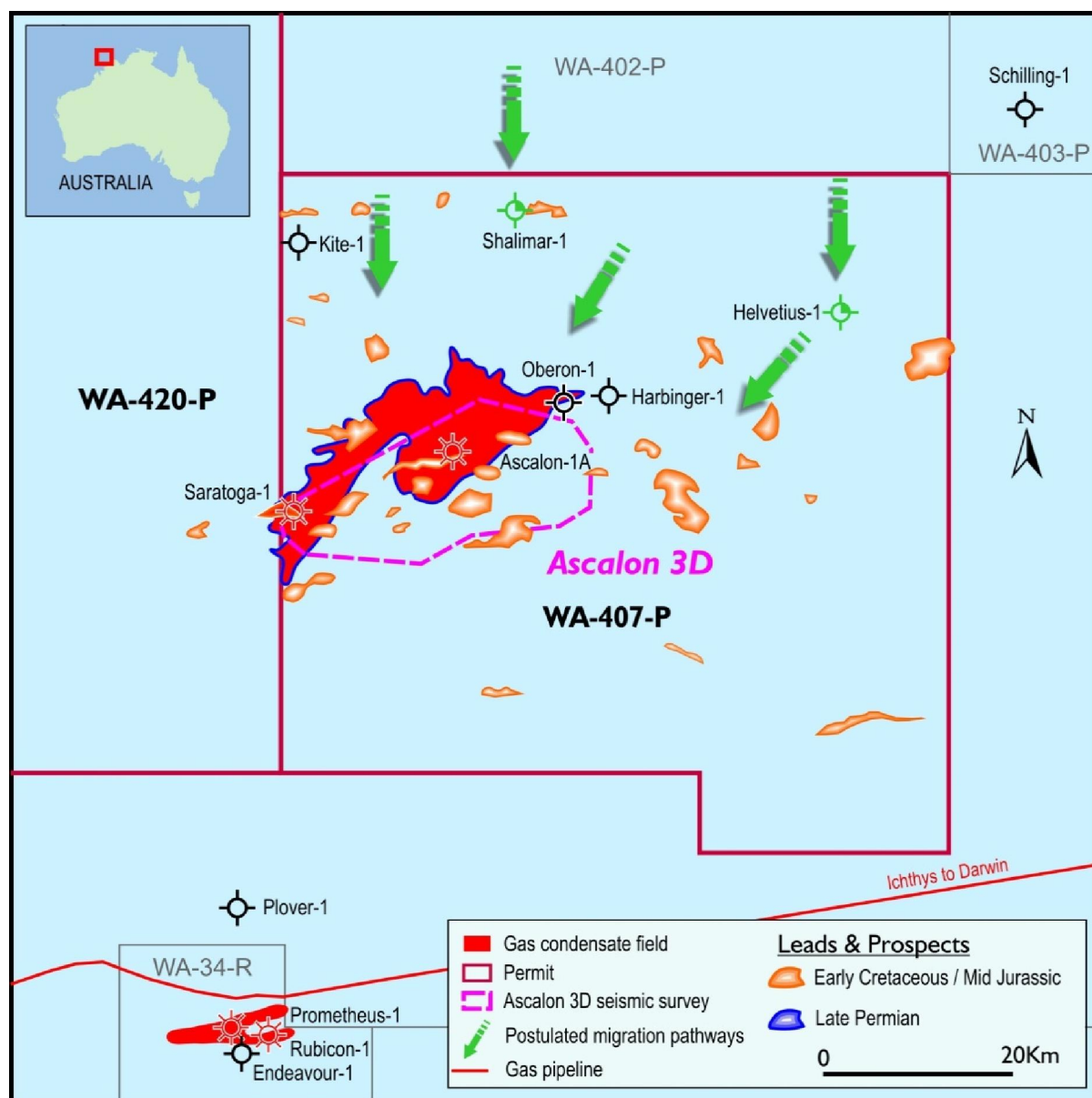


Figure 10: Location Map of the Ascalon 3D Seismic Survey and Postulated Migration Pathways

The new 426 km² Ascalon 3D seismic survey was acquired within WA-407-P, with the area of the survey located on a northeast structural trend between the Saratoga-1 and Ascalon-1A discovery wells (see the Figure 10).

Anticlinal and fault block traps have been identified in the Early Cretaceous Sandpiper Sandstone play, which is considered an oil play in the north (supported by oil shows in Shalimar-1 and Helvetius-1 – see Figure 10) and a gas play in the south, as proven by the Saratoga-1 gas discovery and several gas dim seismic anomalies. The gas dim seismic anomalies occur at the Saratoga-1 discovery, updip of the Ascalon-1A well location and in structural closures south of the Ascalon fault.

The Ascalon-1A gas discovery made by Mobil Exploration in 1995 is a gas appraisal and development opportunity. The Ascalon gas accumulation comprises a proven 146m gas column in the Late Permian sandstones of the Upper Cape Hay Formation of the Hyland Bay Subgroup, with 200m of closure remaining updip of the well location. The Ascalon trap is sealed by overlying Mt Goodwin Subgroup claystones and is delineated by the new Ascalon 3D seismic with a closure of 260 km². Similar large structures have been identified in the southern WA-420-P and north-eastern corner of WA-421-P (see Figure 9).

A lowest known gas at 4591mSS (4615mMDRT) was established in Ascalon-1A, which is consistent with the mapped spill point. Ascalon-1A DST-1, over the lower 46.5m of the Cape Hay Formation, flowed at a rate of 2.5MMCFPD. The Upper Tern Formation and the Upper Cape Hay Formation of the Hyland Bay Subgroup had the highest gas shows, but were untested.

WA-422-P, WA-440-P and WA-441-P

Since the end of the financial year, the WA-422-P, WA-440-P and WA-441-P permits have been surrendered. The surrenders followed the completion of an assessment of the prospectivity in the permits. This work indicated the prospectivity was not sufficient to support a commitment to the Year 6 work programme; which is to drill an exploration well in each of the three permits.

Taranaki Basin Interests

As displayed in the Figure 11 *Location Map*, the Octanex Group now holds varying interests in three petroleum exploration permits covers approximately 3,277 km² in the offshore Taranaki Basin of New Zealand; namely PEP 51906, PEP 53537 and PEP 55790.

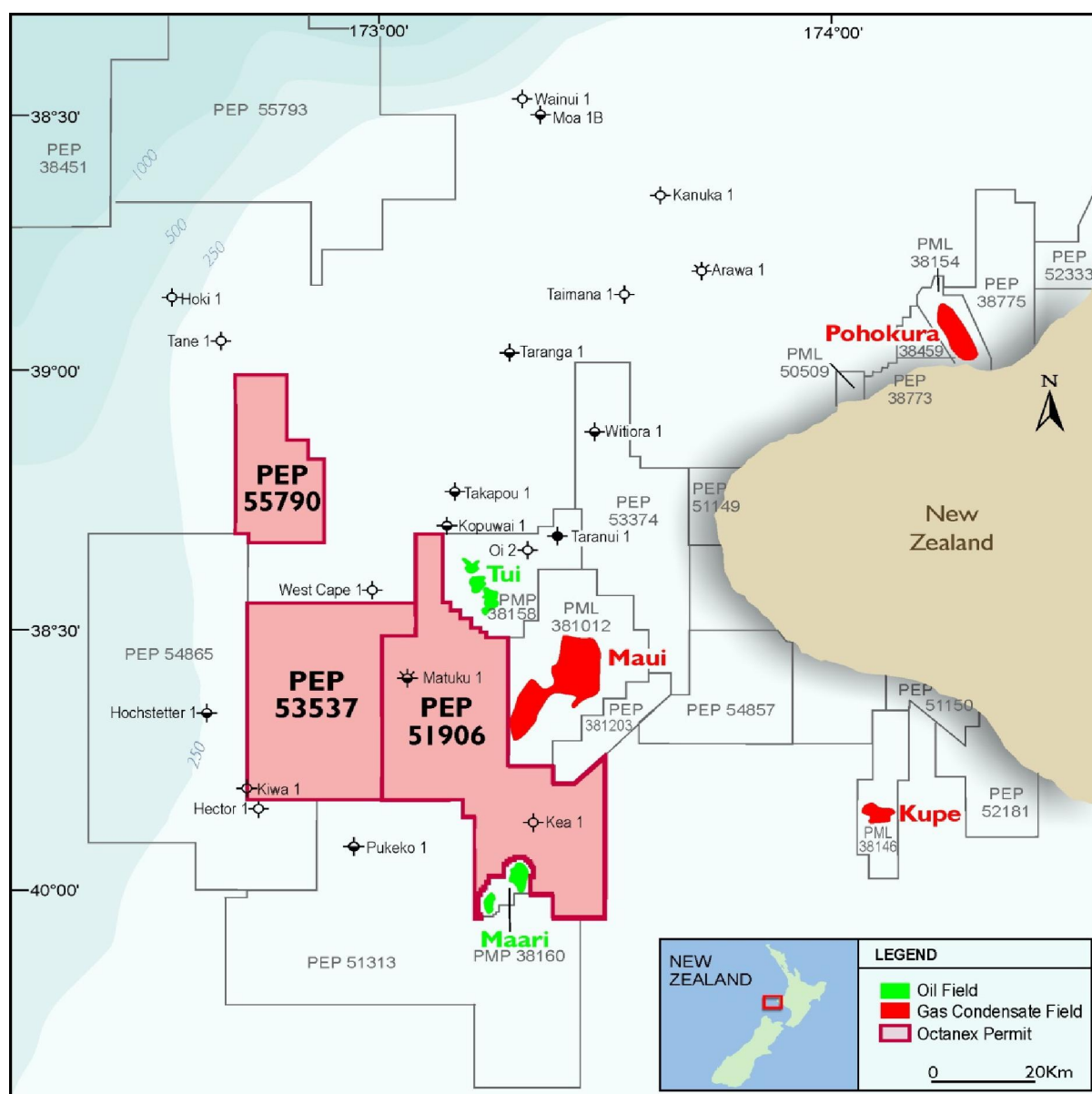


Figure 11: *Location Map of the Taranaki Basin Permits*

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PEP 51906 – Taranaki Basin

The PEP 51906 Joint Venture consists of:

OMV New Zealand Limited (**OMV**) 65.0% and Operator

Octanex Group 22.5%

New Zealand Oil & Gas Limited (**NZOG**) 12.5%
(*ASX Code: NZO*)

The PEP 51906 permit covers an area of 1,613 km² and is adjacent to three producing fields; the Maui gas/condensate field to the east (which has been in production since 1979), the Tui oil field to the northeast (which has been producing since 2008) and the Maari/Manaia fields to the south (which commenced production in 2009) – see the Figure 12 PEP 51906 *Location Map*.

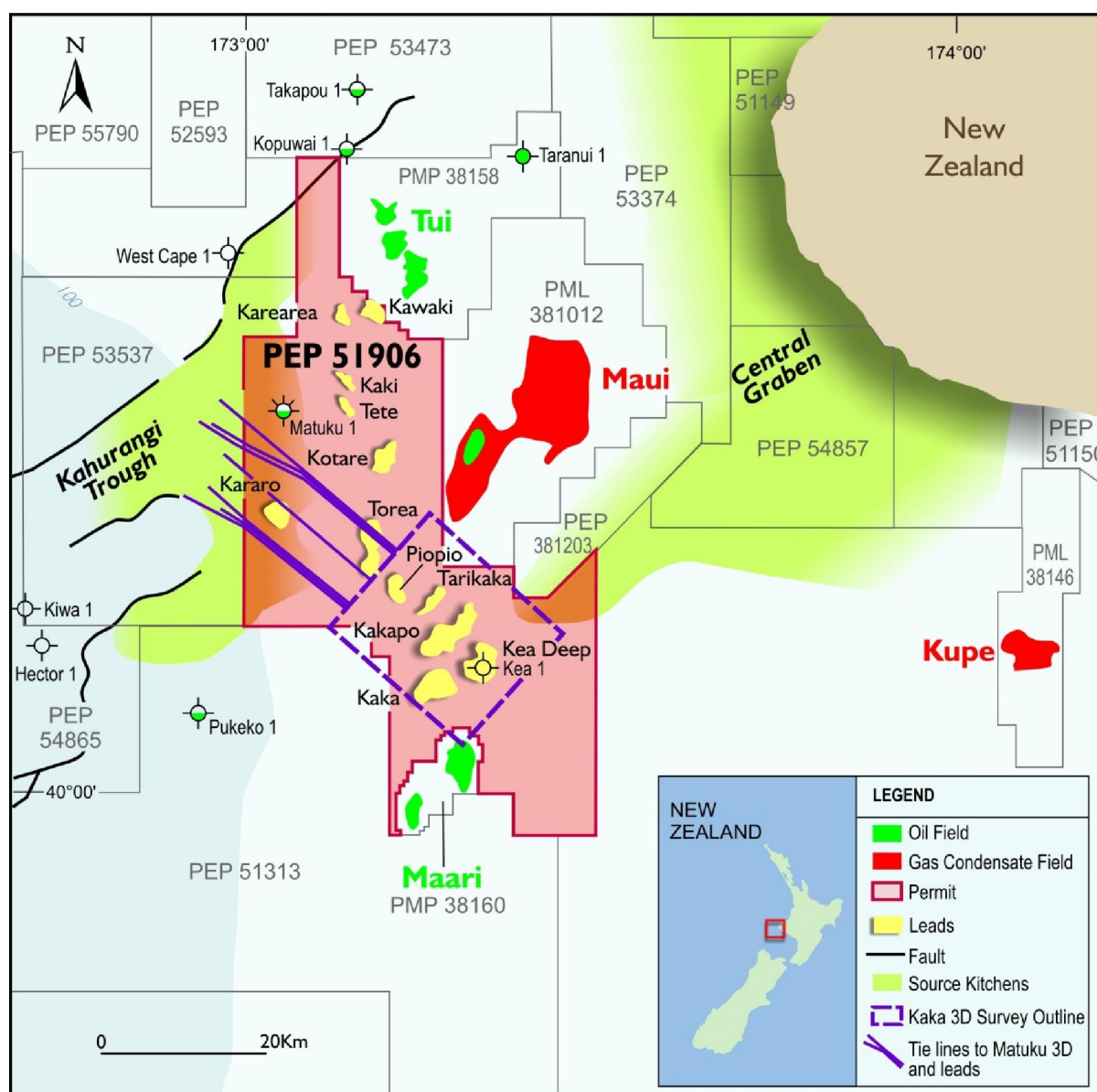


Figure 12: PEP 51906, Matuku-1 and Kaka 3D Survey Location Map

Matuku-1 was spudded on 30 November 2013 and plugged and abandoned as a dry hole on 3 February 2014 after encountering minor oil and gas shows – see the Figure 12 *Matuku-1 Location Map*.

In January 2014, the Kaka seismic survey acquired 403.8 km² of new 3D data from within and adjacent to PEP 51906 – see the Figure 12 *Kaka 3D Survey Location Map*. The survey area is situated on a north-east structural trend between the Maui oil and gas field and the Maari and Manaia oil fields (see Figure 12).

A further 67.4 km² of 3D tie lines were acquired as part of the overall survey (see Figure 12). The more northerly swath extends the survey to both tie the new data to the Matuku 3D survey acquired in 2011 and provide continuous data over the Kahurangi Trough depocentre. The central and southerly swaths acquired new data over the Torea and Kararo Leads. These swaths will also facilitate the tie of the new data and the Matuku-1 well information to the vintage Hector 3D survey that was previously acquired in the adjoining PEP 53537 permit – see the Figure 13 *3D Seismic Surveys Location Map*.

PEP 53537 – Taranaki Basin

The PEP 53537 Joint Venture consists of:

OMV New Zealand Limited	65% and Operator
Octanex Group	35%

The PEP 53537 permit adjoins the western boundary of PEP 51906 – see the Figure 13 *PEP 53537 Location Map*. It covers an area of 1,146 km² and has an extensive grid of 2D seismic data of various vintages.

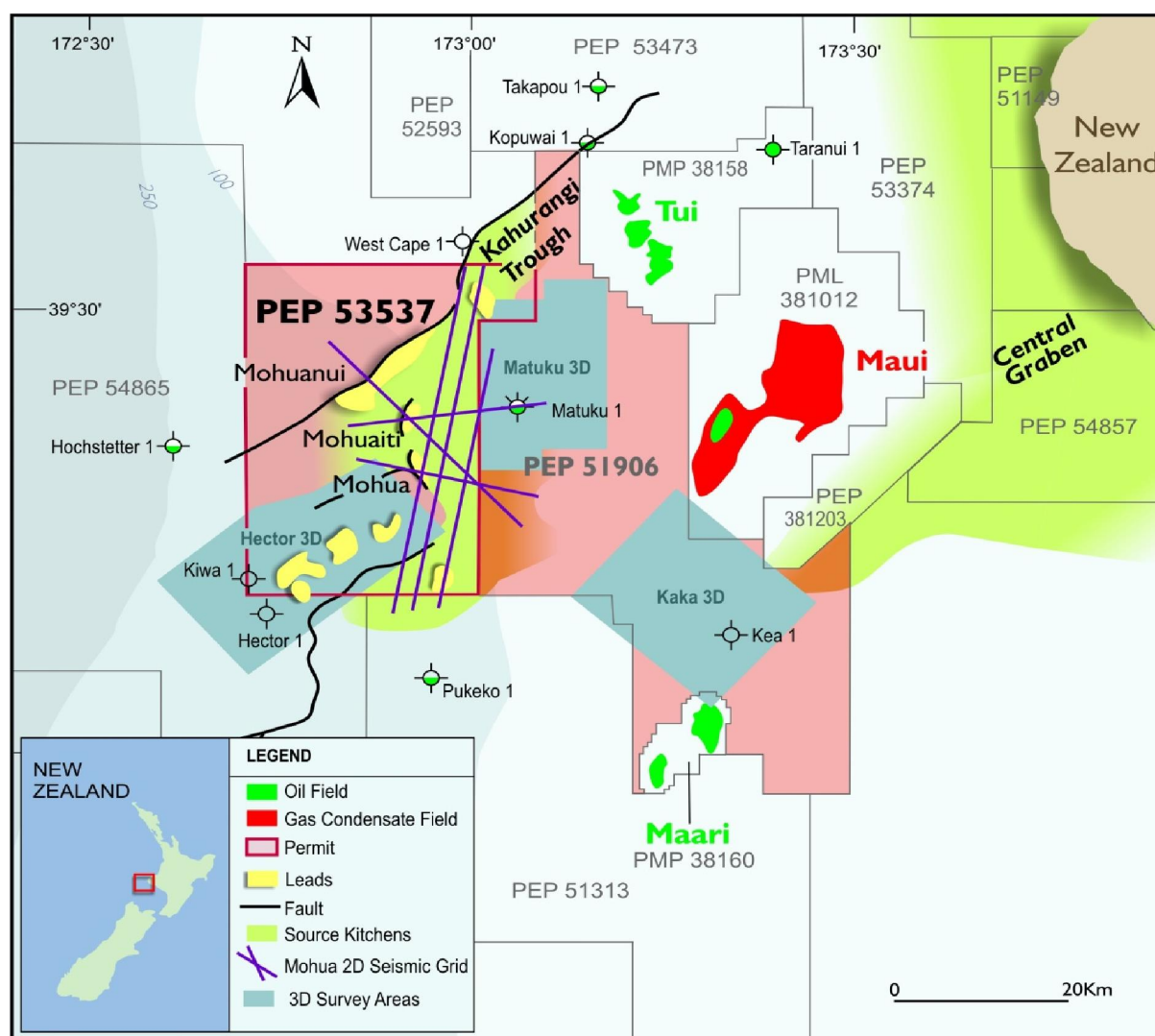


Figure 13: *PEP 53537, Mohua 2D Grid and 3D Seismic Surveys Location Map*

The Kapuni Group plays are seen to be the most prospective for the permit, although possible targets in the Moki Formation are also being analysed.

The Joint Venture acquired 203.65 km of new 2D data from within and adjacent to PEP 53537 – see the Figure 13 *Mohua 2D Grid Location Map*.

The Mohua survey is designed to define leads and prospects in the vicinity of the Kahurangi Trough (see Figure 13). It also provides ties lines to the recently drilled Matuku-1 well and the Hector and Matuku 3D seismic surveys previously acquired in PEP 53537 and PEP 51906 respectively (see Figure 13).

As noted in the previous section, the Kaka seismic survey acquired a number of 3D tie lines that extended into the area of PEP 53537 (see Figure 12). These swaths will also facilitate the tie of the new data and the Matuku-1 well information to the vintage Hector 3D survey.

PEP 55790 – Taranaki Basin

PEP 55790 permit was awarded on 1 April 2014 to the Octanex Group as a result of a successful bid for the acreage. PEP 55790 covers an area of approximately 518 km² and offers similar prospectivity to the Octanex Group's other Taranaki Basin interests and the Group's exploration activities – see the Figure 11 *Location Map of the Taranaki Basin Permits*.

Following a 24 month period of reprocessing and studies, Octanex can either surrender the permit or commit to acquire and process a minimum of 300 km² of new 3D seismic data.

PEP 52593 and PEP 53473

Since the end of the financial year, the PEP 52593 and PEP 53473 permits have been surrendered following the completion of an assessment of the prospectivity in the permits. This work indicated that prospectivity was not sufficient to support a commitment to drill an exploration well in each of the permits.

Canning Basin Farmin Interest

In January 2013, Octanex conditionally agreed to acquire a 25% participating interest from Oil Basins Limited (OBL) in a permit to be issued in respect of the Western Australia petroleum exploration permit application area 5/07-8 EP (**Derby Block**). On 24 March 2014, Octanex announced the petroleum exploration permit EP 487 had been granted to OBL and Back Reef Oil Limited.

The Derby Block comprises an area of approximately 5,063 km² located in the onshore Canning Basin.

Conditions precedent to the acquisition have not been satisfied or waived.

Corporate Matters

Underwrite of Peak Rights Issue

In Q4 2013, Octanex N.L. underwrote a Rights Issue (**Issue**) made by Peak Oil & Gas Limited (**Peak**). The Issue closed in Q1 2014 and, pursuant to the Underwriting Agreement, Octanex contributed approximately \$1.326 million to the Issue, net of underwriting fees of \$97,179. The net contribution resulted in Octanex being issued 142,448,684 fully paid Peak shares, which represents 20.94% of the issued capital of Peak.

Proposed Merger with Peak

During Q2 2014, Octanex executed an implementation agreement with Peak as an initial step in a proposed merger of Peak into Octanex. Simultaneously, Octanex entered into a loan agreement, with associated security documentation, enabling Peak to meet an agreed budget until the end of calendar 2014. The loan will enable Peak to complete the South Block A seismic programme in North Sumatra and to fund the initial costs of preparation for an oil-target well.

To effect the merger, Schemes are proposed to be entered into by Peak's shareholders and optionholders. If the Scheme comes into effect, Peak will become a wholly-owned subsidiary of Octanex and Peak's shareholders will have exchanged their Shares for Octanex Shares. If the Option Scheme comes into effect, Peak's optionholders will have exchanged their unlisted options to acquire shares in Peak for options to acquire shares in Octanex.

Further details will be available when the Scheme Booklet relating to the proposed merger is finalised and released by Peak.

On Market Share Buy-back

On 1 April 2014, Octanex announced an on market share buy-back for up to 7,500,000 of its fully paid ordinary shares. The buy-back was launched to exercise effective capital management for the benefit of Octanex shareholders and will run for a period 12 months. To date, a total of 144,000 shares had been acquired for a total consideration of \$15,412.

INVESTMENTS

Ophir Production Sdn Bhd

The group holds 1,600,00 fully paid ordinary shares in Ophir Production Sdn Bhd, a Malaysian joint venture company. Further details of this investment can be found in the Review of Operations.

Peak Oil & Gas Limited (ASX Code: PKO)

At 30 June 2014, the company held 142,448,684 fully paid ordinary shares in Peak Oil & Gas Limited (**PKO**). This represents 20.94% of the issued capital of PKO. PKO holds petroleum assets in the Asia Pacific region.

Information about PKO may be obtained from PKO, from documents lodged by PKO with the ASX and from the PKO website www.peakoil-gas.com

On 15 November 2013, Octanex announced a proposal to merge with Peak. Details of that merger can be found under the Review of Operations.

Oil Basins Limited (ASX Code: OBL)

The group holds 23,027,778 fully paid ordinary shares and 15,000,000 options in OBL. OBL holds interests in various petroleum exploration permits in the offshore Gippsland and Carnarvon and onshore Canning Basins.

Information about OBL may be obtained from OBL, from documents lodged by OBL with the ASX and from the OBL website www.oilbasins.com.au.

Moby Oil & Gas Limited

The group holds 11,548,806 fully paid ordinary shares in Moby Oil & Gas Limited (**Moby**) an unlisted public company. Moby holds interests in various petroleum exploration permits in the Browse, Carnarvon and Gippsland Basins.

DIRECTORS

The directors in office during the entire financial year and to the date of this report are:

EG Albers LL.B, FAICD
Chairman and Chief Executive Officer
Executive Director

Mr Albers has over 35 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, held a corporate practicing certificate in Victoria until 2001.

Mr Albers first became involved in oil exploration in 1977. At that time, companies associated with him applied for and were awarded exploration permits in the offshore Gippsland and Bass Basins.

Mr Albers founded Octanex NL and he is a substantial shareholder in the company.

Mr Albers was instrumental in the formation of Moby Oil & Gas Limited ("Moby") in 2003 and in its listing on ASX in 2004. Moby was subsequently delisted in 2013.

On 4 February 2013 Mr Albers became a director in the ASX listed Peak Oil & Gas Limited. Mr Albers is also a substantial shareholder in that company.

In addition, Mr Albers has interests in a number of unlisted public and private companies active in the exploration for oil and gas in Australian offshore waters and in South-East Asia. He is a member of the Petroleum Exploration Society of Australia and been a Director of Octanex since 2 October 1984.

JMD Willis LL.M (Hons), Dip Acc

Non-Executive Director

Until his resignation from the practice in 2007, Mr Willis had been a partner in the leading New Zealand law firm of Bell Gully for more than 25 years. His practice speciality was in the upstream oil and gas area, particularly relating to issues concerning gas contracting and the development of oil and gas reserves, joint ventures and upstream petroleum related acquisitions. He has acted for the leading participants in the upstream petroleum industry in New Zealand.

Mr Willis was a director of MEO Australia Limited until July 2008, a position he had held for 10 years during a crucial period of its growth. With Mr Albers, he was co-founder and later a director of Southern Petroleum NL. Willis has been a Director of Octanex since 18 August 2009.

GA Menzies LL.B

Non-Executive Director

Mr Menzies is a barrister and solicitor. He graduated from Melbourne University in 1971 and qualified for admission to the degree of Master of Laws in 1975. He was admitted to practice in 1972.

Since 1987 he has carried on practice as a sole practitioner under the name of Menzies & Partners. In the course of his legal practice Mr Menzies has been involved in a wide range of activities, including takeovers, litigation in respect thereof, numerous capital raisings and corporate reconstructions. He has been involved as a lawyer in the listing of a large number of public companies ranging from junior explorers to substantial mining companies. Over recent years his activities have focused primarily on corporate reconstructions and capital raisings.

Mr Menzies is a director of Eneget NL, as well of a number of private and unlisted public companies. He has been a Director of Octanex since 26 August 2003.

DC Coombes LL.B, M Tax, CTA

Non-Executive Director

Mr Coombes was admitted as a barrister and solicitor of the Supreme Court of Victoria in 1971 after graduating from Melbourne University Law School in 1970. He has completed a postgraduate degree in taxation law, is a Chartered Tax Advisor and has been accredited as a Tax Law specialist by the Law Institute of Victoria.

Mr Coombes is a partner in the law firm, Gadens Lawyers, and is a member of the firm's corporate advisory and tax group. His practice involves advising clients on a range of corporate, commercial and taxation law matters, as well as preparing and advising on a range of commercial agreements, structures and transactions including mergers and acquisitions, takeovers, capital raisings, corporate and trust restructuring, asset sales and purchases, joint ventures, business reconstructions, trusts and superannuation law and estate and succession planning. Mr Coombes acts for a number of Australian and overseas listed and private clients in numerous industry sectors including mining and resources, media and entertainment, agribusiness, property investment and property development projects, transport and infrastructure projects.

Mr Coombes is a director of several charitable organisations including Wintringham Limited, Wintringham Housing Limited and Newsboys Foundation Limited. He is also a director of the Wynn Group of Companies and has been a Director of Octanex since 16 May 2012.

COMPANY SECRETARIES

JG Tuohy BCA, CA

For all but two years since 1986, Mr Tuohy has acted as Company Secretary to a number of listed and unlisted public companies in New Zealand and Australia. The first half of this period he spent in the oil and gas sector, initially administering three oil and gas exploration companies in New Zealand. He then acted for only one of

them, Southern Petroleum N.L., when it became a successful production company. Following the privatisation of Southern Petroleum, Mr Tuohy acted in a forensic accounting capacity in a multi party legal action, and then returned to a public company secretarial position in the motor vehicle industry where he spent 10 years.

In these positions Mr Tuohy has been involved in the various aspects of public and private company administration, especially as this relates to the oil and gas exploration sector and to public listed company activities, obligations and requirements.

He has acted as Company Secretary for a number of listed and unlisted public companies, including Moby Oil & Gas Limited, Exoil Limited and Auralandia NL, and has been a director of Bass Strait Oil Company Limited and of various unlisted public and private companies. Mr Tuohy is a chartered accountant in New Zealand.

RJ Wright B Bus, CPA

Mr Wright is a senior financial professional with over 25 years commercial experience in the resource, energy and manufacturing industries gained at various companies and locations, including 14 years at BHP.

As well as carrying out his secretarial duties for Octanex, he is the company's Chief Financial Officer (CFO) and the Company Secretary and CFO of several listed and unlisted exploration companies. Mr Wright is a member of CPA Australia.

BOARD AND COMMITTEE MEETINGS

The table below sets out the number of meetings held during the year and the number of those meetings that were attended by each director.

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
EG Albers	7	7	2	2
DC Coombes	7	7	2	2
GA Menzies	7	7	2	2
JMD Willis	7	7	2	2

The board undertakes all audit committee functions.

The nomination and remuneration committee also met once during the year and all directors were in attendance.

DIRECTORS' INTERESTS

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

	Ordinary Shares	
	Fully Paid	Partly Paid
EG Albers	113,285,323	51,837,357
DC Coombes	165,000	41,500
GA Menzies	16,324	500,000
JMD Willis	2,381,882	1,198,752

DC Coombes, GA Menzies and JMD Willis each have 500,000 unlisted options, exercisable at 32 cents and an expiry date of 30 June 2015.

REMUNERATION REPORT

This remuneration report is audited.

Directors / Executives	Position Held
EG Albers	Chairman and Chief Executive Officer

REMUNERATION REPORT (Continued)

DC Coombes	Non-Executive Director
GA Menzies	Non-Executive Director
JMD Willis	Non-Executive Director

All directors and executives held their position(s) for all of the year ended 30 June 2014 and to the date of signing this report.

The board of directors is responsible for determining and reviewing compensation arrangements for the directors and the chief executive. The board assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executives.

Remuneration levels for directors and executives of the company are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structure takes into account:

- The capability and experience of the directors and senior executives;
- The ability of directors and senior executives to control the entity's performance; and
- the requirement that directors apply a portion of their remuneration to the purchase of shares in the company, at market price, so as to align the interests of directors with that of shareholders.

In accordance with the company's constitution, directors' non-executive remuneration was approved by shareholders on 28 November 2012 at \$150,000 per annum. During the year, directors were remunerated a total of \$140,308 (2013: \$186,273) which included shareholder approved non-executive remuneration of \$98,325 (2013: \$149,940).

There is no performance related remuneration for directors. Remuneration paid to directors covers all board activities, including serving on committees. Apart from a retirement benefit for the chairman, the directors do not receive employee benefits such as annual leave and long service leave, but remuneration may include the grant of options over shares of the company to align directors' interests with that of the shareholders. There is no direct relationship between remuneration and the company's performance for the last five years.

		<i>Short Term</i>	<i>Post Employment</i>		<i>Equity Settled</i>	<i>Total</i>	
		<i>Directors Fees</i>	<i>Super-annuation</i>	<i>Retirement Benefits</i>	<i>Options</i>		<i>Options as % of Total</i>
		\$	\$	\$	\$	\$	
EG Albers (1)	2014	30,000	2,775	9,208	-	41,983	-
	2013	20,000	7,250	9,083	-	36,333	-
DC Coombes	2014	32,775	-	-	-	32,775	-
	2013	27,250	-	-	22,730	49,980	45%
JMD Willis	2014	32,775	-	-	-	32,775	-
	2013	27,250	-	-	22,730	49,980	45%
GA Menzies	2014	30,000	2,775	-	-	32,775	-
	2013	25,000	2,250	-	22,730	49,980	45%
TOTAL	2014	125,550	5,550	9,208	-	140,308	
	2013	99,500	9,500	9,083	68,190	186,273	

(1) On 29 October 1997, a Deed of Appointment was signed with EG Albers. The deed detailed terms of continuation of his appointment as chairman of Octanex NL. Among other things, it provides for a payment of a retirement benefit to EG Albers as chairman.

FA Jacobs was a director of the subsidiary company, Octanex Malaysia Sdn Bhd, from incorporation of the company on 19 August 2013 until his resignation on 3 June 2014. He received no remuneration in his capacity as a director and was not replaced.

	Held at	Granted as		Other	Held at	Vested	Vested and
	30 June	Compensation	Exercised	Changes	30 June	during	exercisable at
						The year	30 June
1 July 2013					2014		2014
DC Coombes	500,000	-	-	-	500,000	-	500,000
JMD Willis	500,000	-	-	-	500,000	-	500,000
GA Menzies	500,000	-	-	-	500,000	-	500,000
	1,500,000	-	-	-	1,500,000	-	1,500,000

On 17 October 2012 the above 1,500,000 options were granted pursuant to the approval of members, which was given at the annual general meeting on 28 November 2012. The options have no performance conditions as they were a reward for past service and were fully vested on grant date.

Exercise price:	32 cents
Share price at approval date:	18.5 cents
Maximum option life	2.6 years
Expected volatility	68%
Risk free interest rate	2.7%

Expected volatility was based on the average volatility of a peer group of seven companies within the oil and gas exploration industry. The implied volatility of the seven companies was in the range of 60% to 92%. The fair value of this share based payment on the shareholder approval date was \$68,190 or \$0.0455 per option. At grant date the value per option was \$0.0340 per option.

WEBSITE

The company has a website that can be found at www.octanex.com.au where relevant company documents and information are displayed.

The company has adopted an environmental, health and safety policy and conducts its operations in accordance with the APPEA Code of Practice.

The company's petroleum exploration activities are subject to environmental conditions specified in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, associated Regulations and Directions, as well as the *Environment Protection and Biodiversity Conservation Act 1999*. During the year there were no known contraventions of any relevant environmental regulations by the company, its subsidiaries or by the operator of any of the permits in which an interest is held.

The company believes all injuries are avoidable and has policies and procedures to ensure employees and contractors manage safety accordingly. The company monitors and evaluates its procedures. During the year there were no known contraventions of health or safety by the company.

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

CORPORATE GOVERNANCE

The ASX Corporate Governance Council has issued “Corporate Governance Principles and Recommendations *Third Edition*” (the CGC Paper) requiring ASX listed companies to report their corporate governance practices against those principles and recommendations. The directors have agreed the company adopt those principles and recommendations set out in the latest CGC Paper appropriate to a company of the size and stage of development of Octanex.

SHARE CAPITAL

Ordinary Shares

There were no ordinary shares issued during the year ended 30 June 2014 and to the date of this report.

Trustee Stock Scheme

As at 30 June 2014, all of the 33,000,000 ordinary shares issued to the trustee pursuant to the trustee stock scheme remained unsold. The trustee does not exercise voting rights in respect of the shares held pursuant to the trustee stock scheme.

OPTIONS

Listed Options

No listed options were granted during the year ended 30 June 2014 and to the date of this report.

Unlisted Options

On 22 May 2014, 3,350,000 options were granted to Octanex staff and other individuals. The options are fully vested, have an expiry date of 21 May 2016 and an exercise price of 15.34 cents.

On 17 October 2012, 3,850,000 options were granted to the directors of Octanex and other individuals. The options are fully vested, have an expiry date of 30 June 2015 and an exercise price of 32 cents. As part of the grant of the 3,350,000 options on 22 May 2014, on the same day 2,350,000 of the 30 June 2015 32 cent options were surrendered by individuals.

On 8 September 2010, 500,000 options were granted to JG Tuohy, company secretary of Octanex. The options were fully vested, had an exercise price of 45 cents and expired 30 September 2013. On 1 October 2013, JG Tuohy was granted a further 500,000 options, fully vested and with an exercise price also of 45 cents. These options expired on 31 March 2014.

	2014	2013
<i>Unlisted Options</i>		
Balance at beginning of the year	4,350,000	500,000
Options granted	3,850,000	3,850,000
Options surrendered	(2,350,000)	-
Options expired	(1,000,000)	-
Balance at end of the year	<u>4,850,000</u>	<u>4,350,000</u>

PROCEEDINGS ON BEHALF OF THE COMPANY

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

EVENTS SINCE BALANCE DATE

Since the end of the financial year, and following the grant of the WA-54-R retention lease, the Cornea Joint Venture applied to surrender the WA-342-P exploration permit with effect from the end of Year 3 on 3 July 2014. The requisite consent to surrender the permit has been received from the Regulatory Authority.

Also since the end of the financial year, the WA-422-P, WA-440-P, WA-441-P, PEP 52593 and PEP 53473 exploration permits have been surrendered. The surrenders followed the completion of assessments of the prospectivity in each of the permits. This work indicated the prospectivity was not sufficient to support committing to the forward work programmes; which is to drill an exploration well in each of the five permits. Consequently, the decision was made to surrender the permits with effect from the end of their current permit years; being 12 July 2014 for WA-422-P, 31 August 2014 for WA-440-P and WA-441-P and 19 and 30 September respectively for PEP 53473 and PEP 52593. The requisite consent to surrender the permit has been received from the Regulatory Authority in relation to WA-422-P, is awaited in relation to WA-440-P and WA-441-P but is not required for PEP 53473 and PEP 52593.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

A copy of the auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001*, is attached and forms part of this Directors' Report for the year ended 30 June 2014.

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

Signed in accordance with a resolution of the directors in Melbourne on 30 September 2014.



GA Menzies
Director

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:

- (a) comply with Accounting Standards and the Corporations Regulations 2001; and
- (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in pages 18 to 20 of the directors' report, (as part of audited Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the Corporations Act 2001.

4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



GA Menzies
Director

Melbourne, 30 September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2014

	NOTE	2014 \$	2013 \$
Revenue - interest received		259,840	588,914
Other income	2	10,376,747	2,845,219
Expenses	3	(15,447,597)	(4,135,232)
Loss before tax		(4,811,010)	(701,099)
Income tax benefit	4	1,365,103	524,077
Net Loss after tax		(3,445,907)	(177,022)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operation		584,176	-
Income tax effect		-	-
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in financial assets at fair value through other comprehensive income		(145,139)	(849,643)
Income tax on items of comprehensive income		43,542	254,893
Other comprehensive income for the year net of tax		482,579	(594,750)
Total comprehensive income for the year		<u>(2,963,328)</u>	<u>(771,772)</u>
Basic loss per share (cents per share)	26	(1.752)	(0.090)
Diluted loss per share (cents per share)	26	(1.752)	(0.090)

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AT 30 JUNE 2014**

	NOTE	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	5	8,506,574	11,696,194
Trade and other receivables	7	303,173	287,736
		<u>8,809,747</u>	<u>11,983,930</u>
Exploration asset held for sale	6	-	32,101
		<u>8,809,747</u>	<u>12,016,031</u>
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Trade and other receivables	7	954,613	-
Financial assets at fair value through other comprehensive income	8	288,025	433,163
Investments in an associate and a joint venture	9,10	1,854,783	-
Property, plant and equipment	11	26,281	33,472
Exploration and evaluation assets	12	48,842,991	51,950,629
		<u>51,966,693</u>	<u>52,417,264</u>
TOTAL NON-CURRENT ASSETS			
TOTAL ASSETS			
		<u>60,776,440</u>	<u>64,433,295</u>
CURRENT LIABILITIES			
Trade and other payables	13	1,107,819	563,553
Current tax liabilities		33,605	-
		<u>1,141,424</u>	<u>563,553</u>
TOTAL CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions	14	72,791	63,583
Deferred tax liabilities	15	11,405,475	12,778,474
		<u>11,478,266</u>	<u>12,842,057</u>
TOTAL NON-CURRENT LIABILITIES			
TOTAL LIABILITIES			
		<u>12,619,690</u>	<u>13,405,610</u>
NET ASSETS			
		<u>48,156,750</u>	<u>51,027,685</u>
EQUITY			
Issue capital	16	61,602,959	61,603,609
Reserves	17	1,459,002	883,380
Accumulated losses		(14,905,211)	(11,459,304)
		<u>48,156,750</u>	<u>51,027,685</u>
TOTAL EQUITY			
		<u>48,156,750</u>	<u>51,027,685</u>

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2014

	Contributed equity	Accumulated losses	Financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Option reserve	Total
	\$	\$	\$	\$	\$	\$
CONSOLIDATED ENTITY						
At 1 July 2013	61,603,609	(11,459,304)	212,929	-	670,451	51,027,685
Loss after tax		(3,445,907)	-	-	-	(3,445,907)
<i>Other comprehensive income</i>						
Exchange differences of translation of foreign operations net of tax	-	-	-	584,176	-	584,176
Changes in fair value on financial assets at fair value through other comprehensive income net of tax	-	-	(101,597)	-	-	(101,597)
Total comprehensive income for the year	-	(3,445,907)	(101,597)	584,176	-	(2,963,328)
Transactions with owners in their capacity as owners						
Share buy back	(650)	-	-	-	-	(650)
Share-based payments expense	-	-	-	-	93,043	93,043
At 30 June 2014	61,602,959	(14,905,211)	111,332	584,176	763,494	48,156,750

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2014

	Contributed equity	Accumulated losses	Financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Option reserve	Total
	\$	\$	\$	\$	\$	\$
CONSOLIDATED ENTITY						
At 1 July 2013	61,603,609	(11,459,304)	212,929	-	670,451	51,027,685
Loss after tax		(3,445,907)	-	-	-	(3,445,907)
<i>Other comprehensive income</i>						
Exchange differences of translation of foreign operations net of tax	-	-	-	584,176	-	584,176
Changes in fair value on financial assets at fair value through other comprehensive income net of tax	-	-	(101,597)	-	-	(101,597)
Total other comprehensive income	-	-	(101,597)	584,176	-	482,579
Total comprehensive income for the year	-	(3,445,907)	(101,597)	584,176	-	(2,963,328)
Transactions with owners in their capacity as owners						
Share buy back	(650)	-	-	-	-	(650)
Share-based payments expense	-	-	-	-	93,043	93,043
At 30 June 2014	61,602,959	(14,905,211)	111,332	584,176	763,494	48,156,750

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2014

	Contributed equity	Accumulated losses	Financial assets at fair value through other comprehensive income	Option reserve	Total
	\$	\$	\$	\$	\$
At 1 July 2012	61,603,609	(11,282,282)	807,679	522,363	51,651,369
Loss after tax	-	(177,022)	-	-	(177,022)
<i>Other comprehensive income</i>					
Changes in fair value on financial assets at fair value through other comprehensive income			(849,643)		(849,643)
Income tax on other comprehensive income	-	-	254,893	-	254,893
Total other comprehensive income	-	-	(594,750)	-	(594,750)
Total comprehensive income for the year	-	(177,022)	(594,750)	-	(771,772)
Transactions with owners in their capacity as owners					
Share-based payments expense	-	-	-	148,088	148,088
At 30 June 2013	61,603,609	(11,459,304)	212,929	670,451	51,027,685

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2014

	NOTE	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Administration fees received		14,810	45,250
Interest received		349,869	629,358
Payments to suppliers		(2,794,094)	(1,633,957)
Net cash outflow from operating activities	(i)	(2,429,415)	(959,349)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to suppliers - exploration		(8,152,051)	(6,199,364)
Proceeds from sale of permit interest	6	10,266,615	2,910,528
Payments for property, plant and equipment		-	(40,872)
Proceeds from sale of investments		-	37,513
Loans to related parties	21	(954,613)	-
Payment for investments		(1,952,856)	(570,000)
Net cash outflow from investing activities		(792,905)	(3,862,195)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share buy-back		(650)	-
Net outflow from financing activities		(650)	-
Net decrease in cash and cash equivalents		(3,222,970)	(4,821,544)
Exchange gains		33,350	16,905
Cash and cash equivalents at beginning of the year		11,696,194	16,500,833
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	8,506,574	11,696,194
(i) RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH LOSS AFTER INCOME TAX			
Loss after income tax		(3,445,907)	(177,022)
<i>Non cash items:</i>			
Profit on sale of permit interest		(10,205,719)	(2,666,692)
Impairment of exploration assets	27	11,757,478	2,548,016
Effect of exchange rate changes on the balances held in a foreign currency		(33,350)	(16,905)
Retirement benefit expense		9,208	9,083
Depreciation		7,191	7,400
Share based payments expense		93,043	133,426
Share of loss of equity accounted investments		98,073	-
Write-back of investment writedown		-	(65,512)
<i>Changes in assets and liabilities:</i>			
Decrease in receivables		42,155	28,771
Increase (decrease) in payables		544,264	(269,446)
Decrease in tax liabilities		(1,295,851)	(490,468)
Net Cash outflow from Operating Activities		(2,429,415)	(959,349)

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Octanex NL (“Octanex” or “the company”) is a for-profit company incorporated and domiciled in Australia with its registered office and principal place of business located at Level 21, 500 Collins Street, Melbourne, Victoria 3000. The consolidated financial report of the company for the year ended 30 June 2014 comprises the company and its subsidiaries (together referred to as the “consolidated entity” or “the group”) and the consolidated entity’s interest in joint operations.

Separate financial statements for Octanex NL as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Octanex NL as an individual entity is included in Note 28.

The financial report was authorised by the directors for issue on 30 September 2014.

(a) Statement of compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, including the Accounting Interpretations issued by the Australian Accounting Standards Board (‘AASB’) and the *Corporations Act 2001*. The consolidated financial statements and notes comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars, which is the consolidated group’s functional currency, rounded to the nearest dollar. It has been prepared under the historical cost convention as modified by the revaluation of the available for sale investments at fair value.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(q).

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

Going concern

The Company’s future activities are dependent upon obtaining additional funds for development and exploration commitments and for general company operations. The directors believe such funding will be available, as and when required, and have prepared the financial report on a going concern basis which contemplates the development and use of assets and discharge of liabilities in the ordinary course of business. Expenditure commitments include obligations associated with the development of the Ophir Oil Field, the company’s investment in Peak Oil & Gas Limited, minimum work obligations for exploration permits and working capital.

The Ophir development is to be directly project financed through the incorporated joint venture company, Ophir Production Sdn Bhd (OPSB), by a package of senior debt facilities made available by a syndicate of banks comprised of Malayan Banking Berhad (Maybank), RHB Bank (L) Ltd and United Overseas Bank Limited. In this regard, OPSB has accepted a Letter of Offer for term loan facilities of up to US\$118.76 million and the provision of a guarantee in favour of Petronas for US \$13.5 million (already provided). The facilities are structured to meet 75% of the planned capital expenditure for the development of the Ophir Oil Field, 75% of the first three quarters of the operating expenditure and the cost of a bank guarantee facility of US\$13.5 million.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Going concern (continued)***

The tenure of the term loan facilities is up to four years. Securing project financing was an important milestone for the development of the Ophir Oil Field. Octanex has provided a proportionate corporate guarantee and undertaking in respect of these facilities and to the contract performance obligations of OPSB.

Working capital for the remaining funding of our interest in OPSB, the Company's interest in Peak Oil & Gas Ltd, minimum work obligations for exploration permits and general purposes, will require the Company to raise additional equity capital or undertake borrowings from time to time. It is the Company's intention that the additional funds would be raised in the manner deemed most expedient by the board of directors at the time, taking into account existing working capital, exploration results, budgets, share market conditions, capital raising opportunities and the interest of industry and others in participation in the company's programs. It is the Company's plan that this capital will be raised by any one or a combination of the following methods: partial sale of the company's interests or farmout, placement of shares, issue of debt instruments, issue of shares to shareholders or a further issue of shares to the public. Minimum work obligations for exploration may also be satisfied by variation, farmout, sale, relinquishment or surrender of the permits.

(c) Early adoption of standards

The group has elected to apply AASB 9 Financial Instruments (as issued in December 2009) and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 from 1 July 2010, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions, comparative figures have not been restated. Refer Notes 1(k) for further details on the impact of the change in accounting policy.

As permitted under the transitional provisions, the group has elected not to adopt the December 2010 revised version of AASB 9, which addresses the accounting for financial liabilities and derecognition of financial assets and liabilities.

Classification – from 1 July 2010

As from 1 July 2010, the group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(d) Principles of consolidation

The consolidated entity financial statements consolidate those of the company and all of its subsidiaries as at year end.

(i) Subsidiaries

The company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the parent entity note.

All transactions and balances between companies within the consolidated entity are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a consolidated entity perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the consolidated entity.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*****(ii) Investments in associates and joint ventures***

Associates are those entities over which the consolidated entity is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the consolidated entity controls jointly with one or more other investors, and over which the consolidated entity has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the consolidated entity has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the consolidated entity's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the consolidated entity's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the consolidated entity's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the consolidated entity.

Unrealised gains and losses on transactions between the consolidated entity and its associates and joint ventures are eliminated to the extent of the consolidated entity's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(iii) Joint operations***Jointly controlled operations and assets***

The interest of the company and of the consolidated entity in unincorporated joint operations and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint operation.

The financial statements of the jointly controlled operations and assets are prepared for the same reporting period as the parent company using consistent accounting policies.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the 'Investment in associates' and 'Share of associates' net profit accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates or, if not consumed or sold by the associate, when the consolidated entity's interest in such entities is disposed of.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(e) Taxes***Income Tax*

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- Current and deferred tax is recognised as income or expense except to the extent that the tax related to equity items or to a business combination;
- A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period where the asset is realised or the liability settled.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

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

Tax Consolidation

The company and its wholly owned resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Octanex NL.

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of the assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(f) Foreign Currency Translation**

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

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

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(g) Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence (such as significant financial difficulties on the part of the counterparty or default) that the company will not be able to collect all amounts due according to the original terms.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(i) Payables

Trade, accruals and other payables are recorded initially at fair value and subsequently at amortised cost. Trade and other payables are non-interest bearing and are normally settled on 60-day terms.

(j) Assets Held for sale

When the group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probable, the asset or disposal group is classified as 'held for sale' and presented separately in the statement of financial position. Liabilities are classified as 'held for sale' and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some 'held for sale' assets such as financial assets or deferred tax assets, continue to be measured in accordance with the group's accounting policy for those assets.

(k) Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the group can make an irrevocable election at initial recognition of each investment to recognise changes in fair value through other comprehensive income ("OCI") rather than profit or loss.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(k) Equity investments (continued)**

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed as profit or loss.

The group subsequently measures all equity investments at fair value. The directors have elected to present fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other revenue when the group's right to receive payments is established and as long as they represent a return on investment.

(l) Property, plant and equipment*Computer and other equipment*

Computer and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Computer equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of computer equipment and other equipment. The following useful lives are applied:

- Computer equipment: 4 years
- Other equipment: 10 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

(m) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the company. Transactions costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the consideration received, net of any income tax benefit. Ordinary shares are classified as equity.

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

(n) Impairment

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

(i) Calculation of recoverable amount

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other groups or assets, in which case, the recoverable amount is determined for the class of assets to which the asset belongs.

(ii) Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(o) Restoration, rehabilitation and environment expenditure**

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are provided for as part of the cost of those activities. Costs are estimated on the basis of current legal requirements, anticipated technology and future costs that have been discounted to their present value. Estimates of future costs are reassessed at each reporting date.

(p) Exploration and evaluation assets

Exploration and evaluation assets, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Exploration and evaluation assets are only recognised if the rights to tenure of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale or partial sale: or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Proceeds from the sale of exploration permits or recoupment of exploration costs from farm-in arrangements are credited against exploration costs previously capitalised. Any excess of the proceeds over costs recouped are accounted for as a gain on disposal.

Farm-outs in the exploration and evaluation phase

The group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

(q) Accounting estimates and judgements

Management determine the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates. There are no estimates and judgements that are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

There is, however, a risk that actual expenditure to achieve minimum work obligations could differ from estimates disclosed in the notes to the financial statements (see Note 18). The estimated amounts represent the higher end of possible future expenditure. Work requirements achieved by farm-ins materially reduce the level of expenditure incurred by the company to comply with work program commitments.

Per Note 1(p) and 1(n), management exercises judgement as to the recoverability of exploration expenditure. Any judgment may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off through the statement of profit or loss and other comprehensive income.

The consolidated entity is subject to income taxes in numerous jurisdictions. The determination of the consolidated entity's provision for current income tax as well as deferred tax assets and liabilities involves significant judgements and estimates on certain matters and transactions, for which the ultimate outcome may be uncertain. If the final outcome differs from the consolidated entity's estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(q) Accounting estimates and judgements(continued)**

Management has assessed the joint arrangements for Ophir Development Sdn Bhd in accordance with AASB 11 and has concluded it is a joint operation. AASB 11 requires the use of equity accounting for joint operations.

Management has assessed the company's investment in Peak Oil & Gas Limited ("Peak" and concluded that it meets the definition of an associate. Associates are those entities over which the consolidated entity is able to exert significant influence but which are not subsidiaries. AASB 128 requires the use of equity accounting for investment in associates. Further to this management has also considered the carrying value of the company's investment in Peak in relation to its share price at 30 June 2014 on the Australian Stock Exchanges and has decided its carrying value to be appropriate. It is management's view that the perceived underlying value of the assets of Peak, including the prospect of Peak completing a settlement of Peak's dispute in relation to Cadlao on terms previously announced (with Peak receiving \$6,700,000) and the prospectivity of the South Block A interests are not being reflected in Peak's financial statements.

Management has reviewed the joint arrangements for its interests in exploration joint operations in accordance with AASB 11 and has concluded these are joint operations. AASB 11 requires a joint operator to recognise its interest in assets, liabilities, revenue and expenses of the joint operation.

(r) Revenue

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(s) Share-based payment transactions*Equity settled transactions*

The fair value of options granted are recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the grantee become unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

(t) Fair value

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

Fair values for financial instruments traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price and the quoted market price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at reporting date. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(t) Fair value(continued)**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments

(u) Borrowing Costs

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

(v) Earnings per Share*Basic earnings per share*

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

Diluted earnings per share

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

(w) New accounting standards adopted during the year

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013. Information on these new standards is presented below.

AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the consolidated entity's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the consolidated entity's investees held during the period or comparative periods covered by these financial statements.

AASB 11 Joint Arrangements

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AAS 131) and AASB Interpretation 113 Jointly Controlled Entities- Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

Management has assessed the joint arrangements for Ophir Development Sdn Bhd in accordance with AASB 11 and has concluded it is a joint venture. AASB 11 requires the use of equity accounting for joint ventures.

Management has reviewed the joint arrangements for its interests in exploration joint ventures in accordance with AASB 11 and has concluded these are joint operations. AASB 11 requires a joint operator to recognise its interest in assets, liabilities, revenue and expenses of the joint operation.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(w) New accounting standards adopted during the year (continued)***AASB 12 Disclosure of interests in Other Entities*

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Note 22 illustrates the application of AASB 12 in the current year.

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Consolidated entity has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 Financial Instruments: Disclosures.

The consolidated entity has applied AASB 13 for the first time in the current year, see Note 22.

(t) Accounting standards issued not yet effective*IFRS 15 Revenue from Contracts with Customers*

This standard establishes a new control-based revenue recognition model, changes the basis for deciding whether revenue is to be recognised over time or at a point in time, provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing) and expands and improves disclosures about revenue. The entity has not yet assessed the full impact of IFRS 15 as this standard does not apply mandatorily before 1 January 2017.

	NOTE	Consolidated	
		2014	2013
		\$	\$
NOTE 2 OTHER INCOME			
Profit on sale of permit interest	6	10,205,719	2,666,692
Sundry income – director related	21	164,858	89,457
Net foreign exchange gain		-	87,130
Sundry income - other		6,170	1,940
Total income		<u>10,376,747</u>	<u>2,845,219</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 3 EXPENSES

Audit fees	23	66,988	62,415
Consulting		565,379	441,375
Directors' remuneration		131,100	108,695
Directors' retirement benefit		9,208	9,083
Exploration		239,448	3,543
Foreign exchange losses		315,367	-
Legal fees		3,461	12,828
Management fees		130,778	161,498
Reporting, registry and stock exchange		55,937	49,742
Office expenses		195,470	198,066
Other expenses		289,426	226,230
Pre feasibility		1,297,734	-
Salaries		198,707	180,316
Share based payments: fair value of			
- phantom shares		-	(14,663)
- options at grant date - directors	16	-	68,190
- options at grant date – other individuals	16	93,043	79,898
Share of loss of an associate and a joint venture	9,10	98,073	-
Impairment of exploration assets	27	11,757,478	2,548,016
Total expenses		<u>15,477,597</u>	<u>4,135,232</u>

Consolidated
2014 **2013**
\$ **\$**

NOTE 4 INCOME TAX

Components of income tax expense (benefit)

Current tax expense

Current period	(1,380,255)	(375,558)
Adjustment for prior period	15,152	(148,519)

Deferred tax expense

Origination and reversal of temporary differences	-	-
Total	<u>(1,365,103)</u>	<u>(524,077)</u>

Reconciliation between tax benefit and pre-tax loss

Loss before tax	<u>(4,811,010)</u>	<u>(701,099)</u>
Income tax benefit using statutory income tax rate of 30%	(1,443,303)	(210,330)

Tax effect of adjustment recognised in the period for:

Prospectus costs	(70,722)	(85,338)
Adjustment for prior periods	15,152	(148,519)
Non-assessable income	-	(75,822)
Other non-deductible expenses	146,159	44,426
Lower tax rate in New Zealand	(12,389)	(48,494)
Income tax benefit	<u>(1,365,103)</u>	<u>(524,077)</u>

Franking credit balance:

Franking account balance as at end of year	<u>1,741,532</u>	<u>1,741,532</u>
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NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 5 CASH AND CASH EQUIVALENTS

Cash at bank and on hand		7,487,474	964,507
Bank deposits at call		1,019,100	10,731,687
		<u>8,506,574</u>	<u>11,696,194</u>

Cash and cash equivalents are subject to interest rate risk as they earn floating rates. In the year to 30 June 2014 the average floating rate for the consolidated entity was 0.4% (2013: 3.7%). Details of interest rate risk and sensitivity can be found in Note 20. Bank deposits at call have an average maturity for the consolidated entity of 157 days (2013: 98 days). Whilst the bank deposits have an average maturity of greater than three months they are classified as cash at bank as the company has the ability to use these funds at call, there is no risk of a change in value of the deposit and the company has and will use the bank deposits to meet its short term cash commitments.

	NOTE	2014 \$	Consolidated 2013 \$
NOTE 6 EXPLORATION ASSETS HELD FOR SALE			
Carrying amount at beginning of year		32,101	-
Transfer from exploration and evaluation assets	12	-	221,206
Cost incurred during the year		28,795	54,731
Disposal costs		(60,896)	(243,836)
Carrying amount at end of year		<u>-</u>	<u>32,101</u>

On 27 November 2012, Octanex conditionally sold a 12.5% interest in PEP 51906 to NZOG for an aggregate US\$12,500,000. Proceeds of the sale were credited against the amount previously capitalised for the permit.

Net proceeds of \$10,266,615, were received in the year ended 30 June 2014. After further costs of \$60,896 this resulted in a profit on sale of \$10,205,719 for the year ended 30 June 2014(Note 2).

NOTE 7 TRADE AND OTHER RECEIVABLES

CURRENT

Other receivables		303,173	283,258
Loan to director-related entity	21	-	4,477
		<u>303,173</u>	<u>287,736</u>

NON CURRENT

Loan to director-related entity	21	954,613	-
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The carrying amount of all receivables is equal to their fair value as they are short term. None of the receivables are impaired or past due. The maximum credit risk for the company is the gross value of all receivables. All receivables are non-interest bearing.

NOTE 8 OTHER FINANCIAL ASSETS (NON-CURRENT)

Financial Assets at fair value through other comprehensive income

Investment in director-related equities	8(a)	57,744	57,744
Investment in other listed equities		230,280	375,418
	8(b)	<u>288,025</u>	<u>433,162</u>
At cost:			
Shares in controlled entities	8(c)	1	1
		<u>288,025</u>	<u>433,163</u>

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

	Consolidated 2014 \$	2013 \$
NOTE 8 OTHER FINANCIAL ASSETS (NON-CURRENT) (Continued)		
(a) Director-related Entities:		
<i>Moby Oil & Gas Limited</i>		
Principal activity is oil and gas exploration (Note 21)	57,744	57,744
	=====	=====
(b) Reconciliation of the carrying amount of		
Financial Assets at fair value through other comprehensive income		
Balance at beginning of year	433,162	441,840
Acquisitions for the year	-	760,665
Net revaluation (decrement) increment	(145,137)	(604,678)
Disposals for the year	-	(164,665)
	=====	=====
	288,025	433,162
	=====	=====

Details of market price risk and sensitivity can be found in Note 22.

(c) Shares in Controlled Entities

<i>United Oil & Gas Pty Ltd</i>	1	1
	=====	=====

United Oil & Gas Pty Ltd, a company incorporated in Australia, is owned 50% by Octanex and 50% by a fully owned subsidiary of Octanex, Strata Resources Pty Ltd.

The consolidated entity did not consolidate United Oil & Gas Pty Ltd on the grounds that balances were not considered material. Summary financial information is listed below:

	Current assets \$	Non- Current assets \$	Total assets \$	Current Liabilities \$	Non- Current Liabilities \$	Total Liabilities \$	Revenue \$	Expenses \$	Profit (Loss) \$
2014	916	-	916	2,000	-	2,000	-	12	(12)
2013	928	-	928	2,000	-	2,000	-	13	(13)

NOTE 9 INVESTMENT IN A JOINT VENTURE COMPANY

The consolidated entity has a 50% (2013: Nil) interest in Ophir Production Sdn Bhd ("OPSB"), a jointly controlled entity, incorporated in Malaysia and involved with offshore oilfield development in Malaysia.

The consolidated entity's interest in OPSB is accounted for using the equity method in the consolidated financial statements. Summarised financial information in the joint venture, based on Malaysian accounting standards, and a reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2014	2013
Current Assets- cash and cash equivalents	509,369	-
Non-Current Assets	794,794	-
Current liabilities	(265,207)	-
Equity	=====	=====
	1,038,986	-
Proportion of the consolidated entity's ownership	50%	-
	=====	=====
Carrying amount of the investment	519,478	-
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014**

	Consolidated
	2014 2013
	\$ \$

NOTE 9 INVESTMENT IN A JOINT VENTURE COMPANY (Continued)**Summarised statement of profit or loss of Ophir Production Sdn Bhd**

Administration expenses	17,781	-
Loss before tax	<u>17,781</u>	<u>-</u>
Income tax benefit	<u>-</u>	<u>-</u>
Loss after tax	<u>17,781</u>	<u>-</u>
Consolidated entity's share of loss for the year	<u><u>8,891</u></u>	<u><u>-</u></u>

There are no contingent liabilities in the joint venture.

In July 2014, OPSB accepted a Letter of Offer for syndicated term loan facilities of up to US\$118.76 million for 75% of the planned capital expenditure for the development of the Ophir field, 75% of the first three quarters of operating expenditure and a bank guarantee facility of US\$13.5 million. The tenure of the term loan facilities is up to four years and Octanex has provided a proportionate corporate guarantee and undertaking in respect of the facilities.

Capital commitments are:

Payable not later than one year	1,224,877	-
Payable later than one year but not later than three years	<u>-</u>	<u>-</u>
	<u>1,224,877</u>	<u>-</u>

NOTE 10 INVESTMENT IN AN ASSOCIATE

The company has a 20.94% (2013: Nil) interest in Peak Oil & Gas Limited ("Peak"), an Australian Stock Exchange listed company involved with petroleum exploration and production in the Asia Pacific region.

The consolidated entity's interest in Peak is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the company's investment in Peak:

	2014	2013
Current Assets	558,707	-
Non-Current Assets	4,830,872	-
Current liabilities	(1,401,547)	-
Equity	<u>3,988,032</u>	<u>-</u>
Carrying amount of the investment (Note 1(w))	<u><u>1,335,305</u></u>	<u><u>-</u></u>
There are no contingent liabilities in the associate. Exploration commitments are:		
Payable not later than one year	284,606	-
Payable later than one year but not later than three years	<u>-</u>	<u>-</u>
	<u>284,606</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

	NOTE	2014	Consolidated 2013
NOTE 11 PROPERTY, PLANT & EQUIPMENT			
<i>Office Equipment</i>			
At cost		40,872	40,872
Accumulated depreciation		(14,591)	(7,400)
		<u>26,281</u>	<u>33,472</u>
Balance at beginning of year		33,472	-
Additions		-	40,872
Depreciation		(7,191)	(7,400)
Balance at end of year		<u>26,281</u>	<u>33,472</u>

NOTE 12 EXPLORATION AND EVALUATION ASSETS

Carrying amount at beginning of year		51,950,629	48,575,218
Transfer of asset held for sale	6	-	(221,206)
Impairment of exploration assets	27	(11,757,478)	(2,548,016)
Revaluation of NZD exploration and evaluation assets		526,583	88,547
Cost incurred during the year		8,123,257	6,056,086
Carrying amount at end of year		<u>48,842,991</u>	<u>51,950,629</u>

Exploration and evaluation assets relate to the areas of interest in the exploration phase for petroleum exploration permits WA-323-P, WA-330-P, WA-362-P, WA-363-P, WA-386-P, WA-387-P, WA-407-P, WA-420-P, WA-421-P, PEP 51906, PEP 53537 and PEP 55790. (2013: WA-323-P, WA-330-P, WA-342-P, WA-362-P, WA-363-P, WA-386-P, WA-387-P, WA-407-P, WA-420-P, WA-421-P, WA-422-P, WA-440-P, WA-441-P, PEP 51906, PEP 52596, PEP 53537 and PEP 53473).

Exploration and evaluation assets also include the petroleum retention lease WA-54-R. On 6 May 2014, the Cornea Joint Venture, of which the consolidated entity holds an 18.75% aggregate interest, was granted a retention lease which covers six graticular blocks located within the then WA-342-P exploration permit. Following the grant of WA-54-R, the Cornea Joint Venture applied to surrender the WA-342-P exploration permit (with effect from the end of Year 3 on 3 July 2014) and the requisite consent to surrender has been received from the Regulatory Authority.

WA-54-R, WA-323-P, WA-330-P, WA-362-P, WA-363-P, PEP 51906 and PEP 53537 are held through joint operations and details of the interests held in the retention lease and six the exploration permits can be found in Note 19.

WA-407-P, WA-420-P and WA-421-P are 100% held by the wholly-subsiidiary, Goldsborough Energy Pty Ltd. WA-386-P and WA-387-P are held 100% by the wholly-owned subsidiary, Exmouth Exploration Pty Ltd. PEP 55790 is held 100% by the wholly-owned subsidiary, Octanex NZ Limited.

WA-422-P was previously 60% held in joint operation by the wholly-subsiidiary, Goldsborough Energy Pty Ltd, with the permit surrendered with effect from the end of Year 5 on 12 July 2014 (Notes 25 and 27). WA-440-P and WA-441-P were previously 100% held by the wholly-subsiidiary, Goldsborough Energy Pty Ltd, with the permits surrendered with effect from the end of Year 5 on 31 August 2014 (Notes 25 and 27). PEP 53473 and PEP 52593 were previously 50% held in joint operation by the wholly-subsiidiary, Octanex NZ Limited, with the permits surrendered with effect from the end of Period 5 on 19 and 30 September 2014 respectively (Notes 25 and 27). The group previously retained residual and royalty interests in one of three permits sold in 2008. In January 2014, it was decided to not seek re-conveyance or renewal of the WA-384-P exploration permit (Note 27).

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

	NOTE	Consolidated	
		2014	2013
		\$	\$

NOTE 13 TRADE AND OTHER PAYABLES

Financial liabilities at amortised cost

Current

Trade creditors and accruals		741,763	397,776
Director-related entity other payables	21	366,056	165,777
		<u>1,107,819</u>	<u>563,553</u>

Trade and other payables are current liabilities of which the fair value is equal to the current carrying amount. Information about the company's exposure to foreign exchange risk in relation to trade payables, including sensitivities to changes in foreign exchange rates, is provided in Note 22.

NOTE 14 PROVISIONS

Directors' retirement benefit		72,791	63,583
		<u>72,791</u>	<u>63,583</u>

On the 29th October 1997 a deed of appointment was signed by EG Albers. The deed detailed terms of continuation of his appointment as chairman of Octanex NL. Amongst other things, it provides for a payment of a retirement benefit to EG Albers as chairman. During the year ended 30 June 2011 it was determined that a provision for the retirement benefit should be raised. The amount reflects the 21 years of service EG Albers has provided to the company.

NOTE 15 DEFERRED TAX LIABILITIES

	Deferred Tax Assets		Deferred Tax Liabilities		Net Deferred Tax	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Consolidated						
Investment revaluations	(727,462)	(683,920)	-	-	(727,462)	(683,920)
Exploration costs	-	-	14,979,205	15,884,871	14,979,205	15,884,871
Interest receivable	-	-	1,126	28,135	1,126	28,135
Accrued expenses	(9,810)	(12,562)	-	-	(9,810)	(12,562)
Provisions	(21,837)	(19,075)	-	-	(21,837)	(19,075)
Carried forward tax losses	(2,815,747)	(2,418,975)	-	-	(2,815,747)	(2,418,975)
	<u>(3,574,856)</u>	<u>(3,134,532)</u>	<u>14,980,331</u>	<u>15,913,006</u>	<u>11,405,475</u>	<u>12,778,474</u>

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014
NOTE 15 DEFERRED TAX LIABILITIES (Continued)

	Opening Balance At 1 July 2013 \$	Charged/ (credited) to Income Statement \$	Charged/ (credited) directly to Equity \$	Closing Balance at June 2014 \$
Consolidated				
Investment revaluations	(683,920)	-	(43,542)	(727,462)
Exploration costs	15,884,871	(905,666)	-	14,979,205
Interest receivable	28,135	(27,009)	-	1,126
Accrued expenses	(12,562)	2,752	-	(9,810)
Provision	(19,075)	(2,762)	-	(21,837)
Carried forward tax losses	<u>(2,418,975)</u>	<u>(396,772)</u>	<u>-</u>	<u>(2,815,747)</u>
	<u>12,778,474</u>	<u>(1,329,457)</u>	<u>(43,542)</u>	<u>11,405,475</u>

	Opening Balance At 1 July 2012 \$	Charged/ (credited) to Income Statement \$	Charged/ (credited) directly to Equity \$	Closing Balance at June 2013 \$
Consolidated				
Investment revaluations	(671,993)	-	(11,927)	(683,920)
Exploration costs	14,965,362	919,509	-	15,884,871
Interest receivable	40,265	(12,130)	-	28,135
Accrued expenses	(9,032)	(3,530)	-	(12,562)
Provision	(20,749)	1,674	-	(19,075)
Carried forward tax losses	<u>(1,022,986)</u>	<u>(1,395,989)</u>	<u>-</u>	<u>(2,418,975)</u>
	<u>13,280,867</u>	<u>(490,466)</u>	<u>(11,927)</u>	<u>12,778,474</u>

NOTE 16 CONTRIBUTED EQUITY

	2014 Shares	2013 Shares	Consolidated 2014 \$	2013 \$
Issued Capital				
Ordinary shares fully paid(a)	152,122,898	152,127,398	50,560,984	50,561,634
Ordinary shares partly paid(b)	74,278,910	74,278,910	11,041,975	11,041,975
Ordinary shares issued pursuant to trustee stock scheme(c)	33,000,000	33,000,000	-	-
	<u>259,401,808</u>	<u>259,406,308</u>	<u>61,602,959</u>	<u>61,603,609</u>
Balance at end of year				

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 16 CONTRIBUTED EQUITY (Continued)**

	Consolidated		2014	2013
	2014	2013	2014	2013
	Shares	Shares	\$	\$
<i>(a) Ordinary shares fully paid</i>				
Movements during the year				
Balance at beginning of year	152,127,398	152,127,398	50,561,634	50,561,634
Share buy back	(4,500)	-	(650)	-
Balance at end of year	<u>152,122,898</u>	<u>152,127,398</u>	<u>50,560,984</u>	<u>50,561,634</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Ordinary shares partly paid(i)

No movements during the year

(i) The partly paid shares are paid to 15 cents; with the balance of 10 cents due in one or more calls payable not before 31 December 2015.

(c) Ordinary Shares Issued Pursuant to Trustee Stock Scheme

No movements during the period.

In the year ended 30 June 2011, the members of Octanex voted to approve a new trustee stock scheme to replace the existing such scheme and the Supreme Court of Victoria then gave its required approval to the new scheme at a hearing on 17 November 2010. As a consequence of the company obtaining those necessary approvals, the 33,000,000 trustee shares held by the trustee under the then existing scheme were cancelled and 33,000,000 new trustee shares were issued to the trustee under the new scheme. Those new trustee shares are unlisted and the trustee may sell those shares as fully paid or partly paid ordinary shares and must then pass the net proceeds of their sale to the company.

The company has unlimited authorised capital with no par value.

Terms and Conditions of Contributed Equity

Ordinary shares confer on the holder the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of (irrespective of the amounts paid up on) shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Trustee Stock Scheme

Octanex is party to a Trustee Stock Scheme, pursuant to which ordinary shares ranking equally with other ordinary shares on issue were issued to a trustee. When those shares are sold by the trustee the net proceeds are paid to the Company by way of subscription moneys. At reporting date all shares issued to the trustee remained unsold. The trustee does not exercise voting rights in respect of shares held pursuant to the scheme.

Unlisted Options - (Share Based Payment)

On 22 May 2014, 3,350,000 options were granted to Octanex staff and other individuals. The options are fully vested, have an expiry date of 21 May 2016 and an exercise price of 15.34 cents.

On 17 October 2012, 3,850,000 options were granted to the directors of Octanex and other individuals. The options are fully vested, have an expiry date of 30 June 2015 and an exercise price of 32 cents. As part of the grant of the 3,350,000 options on 22 May 2014 on the same day 2,350,000 of the 30 June 2015 32 cent options were surrendered by individuals.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 16 CONTRIBUTED EQUITY (Continued)**

On 8 September 2010, 500,000 options were granted to JG Tuohy, company secretary of Octanex. The options were fully vested, had an exercise price of 45 cents and expired 30 September 2013. On 1 October 2013, JG Tuohy was granted a further 500,000 options, fully vested with an exercise price also of 45 cents. These options expired on 31 March 2014.

	2014 Options	2013 Options
<i>Unlisted Options</i>		
Balance at beginning of year	4,350,000	500,000
Options granted	3,850,000	3,850,000
Options surrendered	(2,350,000)	-
Options expired	(1,000,000)	-
Balance at end of year	<u>4,850,000</u>	<u>4,350,000</u>

The 3,350,000 options granted to the staff and other individuals on 22 May 2014 were valued using the Binomial Option Valuation model. The following inputs were used:

Exercise price:	15.34 cents
Share price at grant date:	11.5 cents
Maximum option life	2.0 years
Expected volatility	67%
Risk free interest rate	2.65%

Expected volatility was based on the average volatility of a peer group of eleven companies within the oil and gas exploration industry. The implied volatility of the eleven companies was in the range of 30% to 104%. The fair value of this share based payment at grant date was \$100,975. The options were fully vested at grant date so a share based payment expense with a corresponding increase in equity of \$100,975 has been recognised for the year ended 30 June 2014. The value the surrendered options was \$9,743. This reduced the share based expense and reserve to \$91,232 in the year ended 30 June 2014.

The 500,000 options granted JG Tuohy on 1 October 2013 were valued using the Binomial Option Valuation model. The following inputs were used:

Exercise price:	45 cents
Share price at grant date:	21.5 cents
Maximum option life	0.5 years
Expected volatility	67%
Risk free interest rate	2.65%

Expected volatility was based on the average volatility of a peer group of eleven companies within the oil and gas exploration industry. The implied volatility of the eleven companies was in the range of 30% to 104%. The fair value of this share based payment at grant date was \$1,811. The options were fully vested at grant date so a share based payment expense with a corresponding increase in equity of \$1,811 has been recognised for the year ended 30 June 2014.

The options granted to the directors and other individuals on 17 October 2012 were valued using the Binomial Option Valuation model. The following inputs were used:

Exercise price:	32 cents
Share price at grant date:	18.5 cents
Maximum option life	2.6 years
Expected volatility	68%
Risk free interest rate	2.7%

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 16 CONTRIBUTED EQUITY (Continued)****Unlisted Options - (Share Based Payment) – Continued**

Expected volatility was based on the average volatility of a peer group of seven companies within the oil and gas exploration industry. The implied volatility of the seven companies was in the range of 60% to 92%. The fair value of this share based payment at grant date was \$148,088. The options were fully vested at grant date so a share based payment expense with a corresponding increase in equity of \$148,088 was recognised for the year ended 30 June 2013. Of the \$148,088, the amount related to directors was \$68,190 and to the other individuals was \$79,898.

	Consolidated	
	2014	2013
	\$	\$

NOTE 17 RESERVES

Financial assets at fair value through other comprehensive income reserve	111,332	212,929
Option reserve	763,494	670,451
Foreign currency translation reserve	584,176	-
	<u>1,459,002</u>	<u>883,380</u>

Financial assets at fair value through other comprehensive income reserve

Balance at beginning of financial year	212,929	807,679
Changes in fair value on financial assets at fair value through other comprehensive income	(145,139)	(849,643)
Income tax on other comprehensive income	43,542	254,893
	<u>111,332</u>	<u>212,929</u>

The financial assets at fair value through other comprehensive income reserve represents the changes in fair value on the group's equity instruments including realised gains or losses on those investments. Further information on the investments is set out in Notes 8 and 22.

Option reserve

Balance at beginning of financial year	670,451	522,363
Share based payment expense	93,043	148,088
	<u>763,494</u>	<u>670,451</u>

The options reserve relates to share options granted to the company secretary, the directors and individuals (Note 16).

Foreign currency translation reserve

Balance at beginning of financial year	-	-
Movement for the year	584,176	-
	<u>584,176</u>	<u>-</u>

The foreign currency translation reserve relates to the consolidation of foreign currency denominated fully owned subsidiary entities. At 30 June 2014 the following companies and currencies held in those companies were consolidated.

Octanex NZ Limited – New Zealand Dollars
 Octanex Pte Ltd – Singapore Dollars
 Octanex Malaysia Sdn Bhd – Malaysian Ringgits

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014**

	Consolidated
	2014 2013
	\$ \$

NOTE 18 EXPLORATION EXPENDITURE COMMITMENTS

The consolidated entity share of minimum work requirements in exploration permit interests held by the consolidated entity or in joint operations is estimated at reporting date:

Payable not later than one year	2,689,489	4,835,000
Payable later than one year but not later than three years	481,250	2,200,000
	<u>3,170,739</u>	<u>7,035,000</u>

NOTE 19 INTEREST IN UNINCORPORATED JOINT OPERATIONS

The consolidated entity has an interest in the assets, liabilities and output of joint operations for the exploration and development of petroleum in Australia. The consolidated entity has taken up its share of joint operations transactions based on its contributions to the joint operations. The consolidated entity's interests in the joint operations:

Joint Venture	2014 Interest	2013 Interest	Permits Held
Winchester Project	25%	25%	WA-323-P & WA-330-P
Northern Deeps	33.33%	33.33%	WA-362-P & WA-363-P
Cornea	18.75%	18.75%	WA-54-R
Matuku	22.5%	22.5%	PEP 51906
Stirling (1)	60%	60%	WA-422-P
Hector	35%	35%	PEP 53537
Taranga (2)	50%	50%	PEP 52593
Takapou (2)	50%	50%	PEP 53473

(1) The decision was made to surrender the WA-422-P exploration permit with effect from the end of Year 5 (on 12 July 2014) and the requisite consent to surrender has been received from the Regulatory Authority (Notes 12 and 25).

(2) The decision was made to surrender the PEP 53473 and PEP 52593 exploration permits with effect from the end of Period 5 (on 19 and 30 September 2014 respectively) (Notes 12 and 25).

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

	NOTE	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents		29,130	576,857
Receivables	7	2,409	65,578
NON-CURRENT ASSETS			
Exploration and evaluation assets	12	33,822,913	37,195,409
CURRENT LIABILITIES			
Payables	13	112,442	19,257
Payables – director-related entity	13, 21	15,656	3,750

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

	Consolidated
	2014 2013
	\$ \$

NOTE 19 INTEREST IN UNINCORPORATED JOINT OPERATIONS (Continued)

There are no contingent liabilities in any of the joint operations. Minimum work requirements in exploration permit interests held in joint operations is estimated at reporting date:

Payable not later than one year	304,072	4,235,000
Payable later than one year but not later than three years	243,750	-
	<u>547,822</u>	<u>4,235,000</u>

NOTE 20 KEY MANAGEMENT PERSONNEL
Non-executive Directors

DC Coombes JMD Willis
GA Menzies

Executive Director

EG Albers

Individual compensation disclosures

Information regarding individual director's compensation is provided in the remuneration report section of the directors' report. There are no employees who meet the definition of key management personnel other than the executive director of the company. A summary of the remuneration report is shown below.

		<i>Directors Fees</i>	<i>Super- annuation</i>	<i>Retirement Benefits</i>	<i>Options</i>	<i>Total</i>
		\$	\$	\$	\$	\$
TOTAL	2014	125,550	5,550	9,208	-	140,308
	2013	99,500	9,500	9,083	68,190	186,273

Interests in Equity Instruments of Octanex N.L.

The disclosures relating to equity instruments of directors includes equity instruments of personally related entities, being relatives and the spouses of relatives of the director and any entity under the joint or several control or significant influence of the director.

All equity transactions with directors, other than options granted as remuneration, have been entered into under terms and conditions, applicable to all shareholders.

Interests in fully paid ordinary shares

	Balance	Received as Remuneration	Options Exercised	Net Change Other	Balance
	01/07/2013				30/06/2014
EG Albers	113,146,172	-	-	-	113,146,172
JMD Willis	2,302,367	-	-	-	2,302,367
GA Menzies	-	-	-	-	-
DC Coombes	165,000	-	-	-	165,000
	01/07/2012				30/06/2013
EG Albers	113,146,172	-	-	-	113,146,172
JMD Willis	2,302,367	-	-	-	2,302,367
GA Menzies	-	-	-	-	-
DC Coombes	165,000	-	-	-	165,000

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014
NOTE 20 KEY MANAGEMENT PERSONNEL (Continued)
Interests in partly paid ordinary shares

	Balance	Received as Remuneration	Options Exercised	Net Change Other	Balance
	01/07/2013				30/06/2014
EG Albers	51,837,357	-	-	-	51,837,357
JMD Willis	1,198,752	-	-	-	1,198,752
GA Menzies	500,000	-	-	-	500,000
DC Coombes	41,500	-	-	-	41,500
	01/07/2012				30/06/2013
EG Albers	51,837,357	-	-	-	51,837,357
JMD Willis	1,198,752	-	-	-	1,198,752
GA Menzies	500,000	-	-	-	500,000
DC Coombes	41,500	-	-	-	41,500

Interests in unlisted options
30 June 2015 Options granted as share based payments (exercisable at 32 cents)

	Held at	Granted as compensation	Exercised	Other Changes	Held at 30 June	Vested during the year	Vested and exercisable at 30 June
	1 July 2013				2014		2014
DC Coombes	500,000	-	-	-	500,000	-	500,000
JMD Willis	500,000	-	-	-	500,000	-	500,000
GA Menzies	500,000	-	-	-	500,000	-	500,000
	1,500,000	-	-	-	1,500,000	-	1,500,000

NOTE 21 RELATED PARTY DISCLOSURES

The consolidated financial statements of the Group include:

Name	2014 Interest	2013 Interest	Country of Incorporation
Octanex Operations Pty Ltd	100%	100%	Australia
Strata Resources Pty Ltd	100%	100%	Australia
Exmouth Exploration Pty Ltd	100%	100%	Australia
United Oil & Gas Pty Ltd	100%	100%	Australia
Octanex NZ Limited	100%	100%	New Zealand
Goldsborough Pty Ltd	100%	100%	Australia
Goldsborough Energy Pty Ltd	100%	100%	Australia
Braveheart Energy Pty Ltd	100%	100%	Australia
Cornea Energy Pty Ltd	100%	100%	Australia
Winchester Resources NL	100%	100%	Australia
Winchester Exploration Pty Ltd	100%	100%	Australia
Octanex Pte Ltd	100%	-	Singapore
Octanex Malaysia Sdn Bhd	100%	-	Malaysia

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 21 RELATED PARTY DISCLOSURES (Continued)

Director-related Entities

Companies in which an Octanex director controls or significantly influences, that provide services to the group or to a joint operation in which the group has an interest, or that also hold an interest in those joint operations or in which the group holds an investment.

(i) Providers of Services by Related Party

During the year services were provided under normal commercial terms and conditions by:

Exoil Pty Ltd, (Exoil), a director-related entity of EG Albers

Gresham Management Pty Ltd (Gresham), a director-related entity of GA Menzies

Natural Resources Group Pty Ltd (NRG), a director-related entity of EG Albers

Upstream Consulting Limited, (Upstream), a director-related entity of JMD Willis

Peak Oil & Gas Limited, (Peak), a director-related entity of EG Albers

Consolidated	Service Provided	2014 \$	2013 \$
Exoil	Office services and amenities in Melbourne	151,835	159,659
Peak	Consulting services to Ophir project	238,490	-
NRG	Management and administration services to the Group	150,000	150,000
NRG	Management of exploration tenements	154,750	72,797
NRG	Management services to Ophir project	140,000	-
Gresham	Management and consulting services to the Group	289,092	154,045
Gresham	Management of exploration tenements	-	1,127
Upstream	Management and consulting services to the Group	57,331	98,314
Upstream	Management of exploration tenements	237,462	159,850
Upstream	Management services to Ophir project	19,000	-
Upstream	Provision of office services and amenities in NZ	19,646	15,554

The group holds interests in petroleum exploration joint operations with certain director-related entities:

- As a participant of the Cornea Joint Venture with Cornea Petroleum Pty Ltd, Cornea Oil & Gas Pty Ltd, Coldron Pty Ltd, Cornea Energy Pty Ltd, Moby Oil & Gas Limited, Enege NL, Cornea Resources Pty Ltd and Auralandia Pty Ltd all director-related entities of EG Albers except for Enege NL..

Amounts payable to related parties including those under joint operation arrangements:

	Consolidated	
	2014 \$	2013 \$
Payables		
Exoil Pty Ltd	53,656	42,000
Natural Resources Group Pty Ltd	293,400	122,250
Upstream	19,000	1,527
	<u>366,056</u>	<u>165,777</u>

(ii) Providers of Services to Related Party

During the year services were provided under normal commercial terms and conditions to:

Cornea Resources Pty Ltd, a director-related entity of EG Albers

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

	Consolidated	
2014	2013	
\$	\$	

NOTE 21 RELATED PARTY DISCLOSURES (Continued)

(ii) Providers of Services to Related Party Continued

Moby Oil and Gas Limited, a director-related entity of EG Albers
Auralandia Pty Ltd, a director-related entity of EG Albers
Seaquest Petroleum, a director-related entity of EG Albers
Alpha Natural Resources Limited, a director-related entity of EG Albers

Sundry Revenue

National Energy Holdings Limited	-	2,220
Auralandia Pty Ltd	3,600	16,570
Moby Oil & Gas Limited	1,610	20,140
Alpha Natural Resources Limited	8,786	10,188
Cornea Resources Pty Ltd – Operator Cornea JV	39,268	40,339
Seaquest Petroleum Pty Ltd	4,388	-
Peak Oil & Gas Limited (Note 21 (iii) & (iv))	107,206	
	<u>164,858</u>	<u>89,457</u>

Receivables from related parties:

National Energy Holdings Limited	-	3,058
Exoil Pty Ltd	-	1,419
	<u>-</u>	<u>4,477</u>

(iii) Loan to Peak Oil & Gas Limited

During the year ended 30 June 2014, the company lent Peak Oil & Gas Limited, a director-related entity of EG Albers, \$954,613 (Note 21(iv)). The funds have not been repaid at 30 June 2014 (Note 7) and the balance includes accrued interest income of \$10,027 at 30 June 2014 (Note 2). The loan is secured by a charge over the assets of Peak Oil & Gas Limited.

(iv) Investments in director-related companies

At 30 June 2014, the consolidated entity carried an investment in an ASX listed company in the petroleum industry (Note 9), Peak Oil & Gas Limited which is a director-related entity of EGA Albers. Octanex underwrote a rights issue by Peak Oil & Gas Limited for which it was paid an underwriting fee of \$97,179 (Note 2).

The group has an investment in a joint venture company, Ophir Production Sdn Bhd, (Note 10) which is a director-related entity of EG Albers and JMD Willis.

It also held an investment in Moby Oil & Gas Limited, an unlisted public company in the petroleum industry which is a director-related entity of EG Albers (Note 8(a)).

	Consolidated	
2014	2013	
\$	\$	

NOTE 22 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

Financial Assets

Cash & cash equivalents	8,506,574	11,696,194
At fair value through other comprehensive income	288,025	433,163
	<u>8,794,599</u>	<u>12,129,357</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

	Consolidated
2014	2013
\$	\$

NOTE 22 FINANCIAL INSTRUMENTS (Continued)

Financial Liabilities at amortised cost

Trade and other payable	1,107,819	563,553
	<u>1,107,819</u>	<u>563,553</u>

Recognition and derecognition

Purchases and sales of financial assets and financial liabilities are recognised on trade date is the date on which the consolidated entity commits to purchase or sell the financial assets or financial liabilities. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. Exposure to credit, interest rate, liquidity, foreign currency, market price and currency risks arises in the normal course of the consolidated entity's business. The consolidated entity's overall risk management approach is to identify the risks and implement safeguards which seek to minimise potential adverse effects on the financial performance of the consolidated entity's business.

The board of directors are responsible for monitoring and managing the financial risks of the consolidated entity.

Fair value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The consolidated entity's financial assets measured and recognised at fair value at 30 June 2014 and 30 June 2013 on a recurring basis are as follows:

30 June 2014	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Listed securities and debentures	230,281	-	-	230,281
Unlisted securities and debentures	-	-	57,744	57,744
Total	<u>230,281</u>	<u>-</u>	<u>57,744</u>	<u>288,025</u>
Net fair value	<u>230,281</u>	<u>-</u>	<u>57,744</u>	<u>288,025</u>
30 June 2013	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Listed securities and debentures	433,163	-	-	433,163
Total	<u>433,163</u>	<u>-</u>	<u>-</u>	<u>433,163</u>
Net fair value	<u>433,163</u>	<u>-</u>	<u>-</u>	<u>433,163</u>

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. At the reporting date there were is no credit risk as the consolidated entity has no trade sales or trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 22 FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

All financial liabilities and financial assets at floating rates expose the company to cash flow interest rate risk. The consolidated entity has no exposure to interest rate risk at reporting date, other than in relation to cash and cash equivalents which attract an interest rate.

Sensitivity Analysis

At reporting date a 1% (100 basis point) increase/decrease in the interest rate would increase/decrease the consolidated entity by \$7,134 (2013: \$6,752).

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. Liquidity risk is monitored to ensure sufficient monies are available to meet contractual obligations as and when they fall due.

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

	Carrying Amount	Contractual cash flows	0-12 months	1-2 years	2-10 years
	\$	\$	\$	\$	\$
30 June 2014:					
Consolidated					
<i>Non-derivative Financial</i>					
<i>Liabilities</i>					
Trade and other payables	1,107,819	1,107,819	1,107,819	-	-
Non current payables	-	-	-	-	-
	<u>1,107,819</u>	<u>1,107,819</u>	<u>1,107,819</u>	<u>-</u>	<u>-</u>

30 June 2013:**Consolidated**

Non-derivative Financial
Liabilities

Trade and other payables	563,553	563,553	563,553	-	-
Non current payables	-	-	-	-	-
	<u>563,553</u>	<u>563,553</u>	<u>563,553</u>	<u>-</u>	<u>-</u>

Foreign currency risk

The consolidated entity is exposed to foreign currency risk arising from purchases of goods and services that are denominated in a currency other than the Australian dollar functional currency. The consolidated entity incurs seismic, exploration, development and well drillings costs in US dollars. To this extent, the consolidated entity is exposed to exchange rate fluctuations between the Australian and US dollar. At 30 June 2014 the consolidated entity has a foreign currency exposure by holding US dollars in bank accounts totalling US\$6,857,118. A one cent movement in the usd/aud exchange rate would move consolidated equity by AUD\$53,524.

Equity price risks

Equity price risk applies to at fair value through other comprehensive income investments. The portfolio of investments is managed internally by Octanex management who buy and sell equities based on their own analyses of returns. The investments are subject to movements in prices of the investment markets.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 22 FINANCIAL INSTRUMENTS (Continued)**

	2014	2013
	\$	\$
Financial Assets at fair value through other comprehensive income		
<i>Investments in listed equities</i>		
Moby Oil & Gas Limited (i)	-	57,744
Oil Basins Limited	230,281	375,419
	<u>230,281</u>	<u>433,163</u>
<i>Investments in unlisted equities</i>		
Moby Oil & Gas Limited (i)	57,744	-
	<u>57,744</u>	<u>-</u>
	<u>288,025</u>	<u>433,163</u>

(i) Moby Oil & Gas Limited was delisted in October 2013.

The consolidated entity and company investments in listed equities are listed on the Australian Stock Exchange. A 10% increase / decrease at the reporting date in closing share price of each share held would have increased/decreased consolidated equity by \$23,082 (2013: \$43,316). There would have been no effect on profit.

Capital Management

When managing capital, the directors' objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

It is the company's plan that capital, as and when required, further, will be raised by any one or a combination of the following manners: placement of shares to excluded offerees, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares. Should these methods not be considered to be viable, or in the best interests of shareholders, then it would be the consolidated entity's intention to meet its exploration obligations by either partial sale of its interests or farmout, the latter course of action being part of its overall strategy.

No company in the consolidated entity is subject to any externally imposed capital requirements.

NOTE 23 AUDITOR'S REMUNERATION

	2014	Consolidated 2013
	\$	\$
Amounts received or due and receivable by the Auditor of the consolidated entity and the company for:		
Audit and review of the financial reports	66,988	62,415
Other auditors	-	-
	<u>66,988</u>	<u>62,415</u>

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 24 SEGMENT INFORMATION**

Under AASB 8 Operating Segments, segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the board of directors

At regular intervals the board is provided management information at a group level for the group's cash position, the carrying values of exploration permits and a group cash forecast for the next twelve months of operation. On this basis, no segment information is included in these financial statements.

All interest received has been derived in Australia, except for \$7,004 from New Zealand. All exploration and evaluation assets are held in Australia except for \$3,324,304 held in New Zealand.

NOTE 25 EVENTS AFTER THE END OF THE REPORTING PERIOD

Since the end of the financial year, and following the grant of the WA-54-R retention lease, the Cornea Joint Venture applied to surrender the WA-342-P exploration permit with effect from the end of Year 3 on 3 July 2014. The requisite consent to surrender the permit has been received from the Regulatory Authority (Note 12).

Also since the end of the financial year, the WA-422-P, WA-440-P, WA-441-P, PEP 52593 and PEP 53473 exploration permits have been surrendered. The surrenders followed the completion of assessments of the prospectivity in each of the permits. This work indicated the prospectivity was not sufficient to support committing to the forward work programmes; which is to drill an exploration well in each of the five permits. Consequently, the decision was made to surrender the permits with effect from the end of their current permit years; being 12 July 2014 for WA-422-P, 31 August 2014 for WA-440-P and WA-441-P and 19 and 30 September respectively for PEP 53473 and PEP 52593. The requisite consent to surrender the permit has been received from the Regulatory Authority in relation to WA-422-P, is awaited in relation to WA-440-P and WA-441-P but is not required for PEP 53473 and PEP 52593 (Notes 12 and 27).

	Consolidated
	2014 2013
	\$ \$

NOTE 26 LOSS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net loss	(3,445,907)	(177,022)
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The weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

	Number of Shares	Number of Shares
Basic and diluted loss per share	196,694,744	196,694,744

Unlisted options outstanding during the year (Refer Note 16) are not dilutive at the 30th June 2014 as the exercise price is higher than the average share price for the year then ended.

NOTE 27 IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

During January 2014, Shell Development (Australia) Pty Ltd (Shell) decided not to pursue an application to renew the WA-384-P permit and Octanex then confirmed to Shell that it would not pursue its rights of re-conveyance. This resulted in the related residual and royalty interests held by the group in that permit to be at an end. As a consequence, the carrying value of \$1,274,008 was written off at 31 December 2013.

Following the decision to surrender WA-422-P, WA-440-P, WA-441-P, PEP 52593 and PEP 53473 (Note 25), the carrying values of the five permits (being \$2,900,485, \$928,833, \$905,081, \$2,517,216 and \$3,231,855 respectively) were determined to be impaired and therefore written off at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2014****NOTE 27 IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS (Continued)**

The impairment writedowns were determined by analysing current year costs and the costs previously capitalised with respect to the permits and identifying any costs that relate to previously identified prospects that are less commercially feasible than previously determined.

NOTE 28 PARENT ENTITY INFORMATION

The following details information related to the parent entity, Octanex NL at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented in Note 1, except for the use of the cost method for investment in subsidiary companies by the parent.

	2014	2013
	\$	\$
Current assets	816,755	3,785,794
Non-current assets	71,368,342	64,696,206
Total assets	<u>72,185,097</u>	<u>68,482,000</u>
Current liabilities	714,862	431,622
Non-current liabilities	13,443,534	6,274,187
Total liabilities	<u>14,158,396</u>	<u>6,705,809</u>
Contributed equity	61,602,959	61,603,609
Options reserve	763,494	670,452
Financial assets at fair value through other comprehensive income reserve	(347,100)	(263,197)
Accumulated losses / Retained earnings	<u>(3,992,652)</u>	<u>(234,673)</u>
Total equity	<u>58,026,701</u>	<u>61,776,191</u>
(Loss) profit for the year	(3,757,979)	(1,734,981)
Other comprehensive income for the year	<u>(83,903)</u>	<u>(263,197)</u>
Total comprehensive income for the year	<u>(3,841,882)</u>	<u>(1,998,178)</u>

The company has no contingent liabilities.

No dividends were paid by the parent entity in 2014 (2013: Nil).

The company's share of minimum work requirements contracted for under exploration permit interests held in joint operation is estimated at reporting date:

	2014	2013
	\$	\$
Payable not later than one year	46,125	-
Payable later than one year but not later than three years	133,250	-
	<u>179,375</u>	<u>-</u>

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Independent Auditor's Report To the Members of Octanex N.L

Report on the financial report

We have audited the accompanying financial report of Octanex N.L (the “Company”), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors’ declaration of the consolidated entity comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors’ responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors’ responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

**Grant Thornton Audit Pty Ltd ACN 130 913 594
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Octanex N.L. is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which describes the consolidated entity's cash commitments and guarantee it has provided in relation to the Ophir project. The ability of the consolidated entity to fund these obligations, as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 18 to 20 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Octanex N.L for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 30 September 2014

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Auditor's Independence Declaration To the Directors of Octanex N.L

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Octanex N.L for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 30 September 2014

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