



OCTANEX

ANNUAL REPORT 2015



EXPLORATION



APPRAISAL



DEVELOPMENT

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Chairman's Letter

Dear Shareholder,

I have previously highlighted the need for a change in strategy by Octanex to reduce our exposure to exploration and to increase involvement in development projects. Over the past two years we have made concerted efforts to broaden our strategy by the acquisition of production assets which we considered to have the capacity to provide future cash flow generation.

Our original exploration strategy had relied upon our ability to continue to successfully farmout or sell our exploration properties until such time as we made a game-changing discovery. Despite being involved in the drilling of many potentially high impact wells over the years, so far, the “company-maker” exploration discovery has eluded us. Headwinds facing the farmout/sale strategy were apparent more than two years ago, even when oil prices were high. At current oil prices that strategy is not viable.

While we saw the need for the change in strategy, what we did not foresee was the extent of the dramatic fall in the price of oil that commenced in late May 2014. That the price of a barrel of Brent crude, which had commanded about \$110 in the last week of May 2014, would be worth less than \$50 some 15 months later, was not envisaged.

As part of our broadened strategy, a Risk Service Contract (RSC) with PETRONAS for the development of the Ophir oil field, offshore Malaysia, was awarded in early June 2014 to an Octanex led joint venture company. That project is the cornerstone of our new direction. The Ophir oil development is fully funded and in the execution phase with senior project finance approved by a consortium of banks. Mezzanine finance has been secured from Sabah International Petroleum Ltd (SIP) for our 50% equity contribution to the joint venture. As a result of the dramatic fall in oil price, development costs have reduced significantly.

Our portfolio now includes two appraisal projects located offshore from Western Australia; the Greater Cornea Fields and the Ascalon Gas Discovery, both of which we have advanced from the exploration stage. Cornea is located in the Browse Basin under a Retention Lease and is potentially Australia's largest undeveloped oil discovery, albeit with technical and now oil price challenges. Our work program is designed to unlock the value inherent in Cornea.

Ascalon is located in the Bonaparte Basin in proximity to other known undeveloped gas accumulations and to the Icythys-Darwin LNG pipeline, which is nearing completion. Ascalon represents a significant gas discovery, well-located to be of future value in the emerging ex-Darwin (two LNG plants) Australian LNG market. A Location has been declared over Ascalon, which is an initial step in obtaining a Retention Lease over the discovery, an action we are now pursuing.

At the time of writing in the Annual Report last year, we had entered into an implementation agreement with Peak Oil & Gas Limited (Peak) that would have seen Peak merged into Octanex by way of a Peak scheme of arrangement. It was envisaged that this would bring about an enlarged group with further exposure to potential near-development assets. With the fall in the price of oil accelerating, it became evident that the basis for the merger had been negatively impacted, as important elements (such as the need for capital raising and project viability) became unsupportable in the changed environment. Ultimately the agreed scheme implementation did not proceed.

Last year we increased the size of our board, appointing Mrs Rae Clark as a director and Chief Operating Officer of the Company. We also invited onto the board Mr Tino Guglielmo, a petroleum engineer with wide development experience. At the same time, two representatives of our new strategic shareholder, SIP, Datuk Kevin How and Ms Suhnylla Kler were appointed. SIP is ultimately wholly owned by the Ministry of Finance of the Malaysian state of Sabah.

Having been involved in this industry since 1977, I have observed many oil market cycles. There is no doubting that the current cycle is just as punishing as any I have seen. As a result, we have been operating the Company on the basis of a reduction in outgoings to the bare minimum. Exploration acreage where results have been unfavourable or which has held out little hope of farmout or with onerous work commitments, has been surrendered. Amongst other matters, directors are committed to reinvesting a large proportion of their fees in new shares of the Company at a price of \$0.10 per share, so that this aspect of our outgoings remains largely cash neutral.

I want to record my gratitude to Mrs Rae Clark, our Chief Operating Officer, all my fellow directors, our consultants and employees for their unwavering support during, what has been, a most difficult period.

Octanex has previously made acquisitions on a counter-cyclical basis with great effect. Some of the most attractive acreage, which was farmed out on generous terms, was acquired during market downturns. This current cycle can be expected to present acquisition opportunities. Our challenge is to identify and secure those opportunities that best complement our strategy to successfully widen the development/production base of the company.



EG Albers
Melbourne
23 September 2015



PROJECTS	OIL	GAS	INTEREST
DEVELOPMENT			
● Ophir Oil Field	🛢️		50%
APPRAISAL			
● Greater Cornea Fields	🛢️		18.75%
● Ascalon Gas Discovery		🔥	100%
EXPLORATION			
● Carnarvon Basin			
WA-362-P & WA-363-P	🛢️	🔥	33.33%
			Carried by ENI
WA-323-P & WA-330-P		🔥	25%
			Carried by Santos
WA-387-P		🔥	100%
● Bonaparte Basin			
WA-420-P	🛢️	🔥	100%

COO Report

2015 was a year of significant change for Octanex. The year commenced with two newly awarded permits, the Ophir oil development RSC in Malaysia and a Retention Lease for the Greater Cornea Fields appraisal opportunity in the Browse Basin, offshore from Western Australia.

Consistent with its expanded strategy, Octanex's participation in the development of Ophir was a key focus during the year. The up to 60% decline in oil price during the year presented opportunities to optimize the Ophir development. Significant concept optimization effort was undertaken, identifying cost savings greater than 30%, and culminating in the submission of a revised Field Development Plan, which was approved by PETRONAS in August.

During the year, Octanex formalised a strategic relationship with Sabah International Petroleum (SIP), a company ultimately wholly owned by the Malaysian state of Sabah. The relationship was formalized by a US\$5million investment in Octanex by SIP and the provision of a US\$12 million convertible note facility. SIP is focused on expanding its production and development activities and is a strategic partner for Octanex. Octanex and SIP look forward to pursuing upstream projects together.

Octanex's participation in the Ophir development is fully funded. 75% project financing for the Ophir development was secured by Ophir Production Sdn Bhd (OPSB), the company formed by Octanex with its joint venture partners Scomi and Vestigo to develop the Ophir field. Octanex's remaining expected equity contributions to OPSB will be met from the proceeds of Octanex's SIP funding.

In December, in response to the oil price decline, the Board conducted a strategic review with the objective of equipping the Company to face the challenges posed by a low oil price environment. As a result of this review cost reduction methods to reduce corporate overheads and expenditure were implemented. The portfolio was reshaped with a number of exploration permits divested or surrendered during the year. Prospectivity reviews were undertaken on most assets in the portfolio, with reviews continuing such that in the next year, all permits will have been reviewed.

Additionally, the Board decided not to proceed with the proposed merger of Peak Oil & Gas Limited (Peak) into Octanex. In June, following the sale by Peak of its interest in the South Block A PSC, Octanex received a loan repayment of \$700,000 from Peak.

Octanex's portfolio now consists of its Ophir interest in Malaysia, interests in two appraisal assets offshore Western Australia and interests in six offshore exploration assets in Australia

2015/16 will hopefully bring us close to First Oil from Ophir as well as new growth opportunities.



Rae Clark
Chief Operating Officer

Operational Review

Summary of operations

2015 was a significant year for Octanex in the implementation of its strategy, commenced in 2013, to increase its exposure to production and development. Development activities commenced through the company's participation in the Ophir oil development offshore Malaysia and appraisal work was conducted for the Greater Cornea Field in the Browse Basin offshore Western Australia. Octanex's exploration portfolio was reviewed with a number of permits surrendered or sold, with the focus maintained on permits with potential for high-impact discoveries.

Strategy

We are focused on growing the value of our portfolio.



Development Interest

Ophir Oil Field, Malaysia, 50% Interest

Octanex has a 50% interest in Ophir Production Sdn Bhd (OPSB), the joint venture company that holds the Risk Service Contract (RSC) for the development of the Ophir oil field, offshore Peninsular Malaysia.

The Ophir oil field is being developed via three production wells, a single wellhead platform and export via a leased floating production storage and offloading (FPSO) unit.

The decline in oil price allowed OPSB, in consultation with PETRONAS, to take advantage of reduced costs for goods and services in the industry to enhance and confirm the commerciality of the Ophir development in a low oil price environment. OPSB's comprehensive project cost optimization work has identified significant capital and operating cost savings. The oil price decline provides opportunities for additional savings, as industry participants compete for reduced work.

A revised Field Development Plan (FDP) incorporating cost savings of more than 30% has been approved by PETRONAS.

OPSB was formed by Octanex together with its two Malaysian joint venturers, Scomi Energy Services Bhd (Scomi) and Vestigo Petroleum Sdn Bhd (Vestigo). Octanex holds a 50% interest in OPSB with Scomi 30% and Vestigo 20%. Scomi is a Malaysian upstream oil and gas services company listed on the Main Board of Bursa Malaysia. Vestigo is a wholly owned subsidiary of PETRONAS Carigali Sdn Bhd with a focus on marginal field development.



Figure 1 Ophir Oil Field location map

Octanex's share of the Ophir project is fully funded via OPSB's 75% project financing and Octanex's \$17Million Share Placement and Convertible Note Agreement with Sabah International Petroleum (SIP). SIP is wholly owned by Sabah Development Bank Berhad ("SDB"). SDB itself is wholly owned by the Ministry of Finance Sabah.

Appraisal Interests

Greater Cornea Fields, Western Australia, 18.75% interest

The Greater Cornea Fields (being the Cornea (Central and South), Focus and Sparkle Oil Fields and the Cornea North (Tear) Gas Field) are located in the Browse Basin, offshore from Western Australia and held via a Retention Lease granted for an initial 5-year term in 2014.

The oil volumes in the Greater Cornea Fields are such that, if threshold production flow rates can be demonstrated, but dependent on oil price, the economics should be attractive and provide a reasonable expectation of commercial development.

During the year the Year-1 studies program was completed. Together with those to be completed in the next two years, the studies are aimed at overcoming technical and commercial challenges likely to be faced in bringing the Greater Cornea Fields into commercial production and are a lead up to the drilling of a production test well.

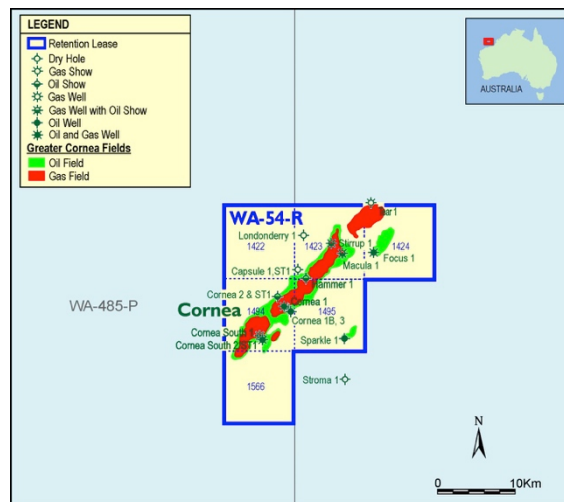


Figure 2 Greater Cornea Fields Retention Lease location map

Middle Albian B & C Sands

	P90	P50	P10
Oil In-place mmbbl	298.0	411.7	567.2
Recovery Factor %	2	7	25
Cont. Oil Resources	7.9	28.8	101.9
Octanex 18.75%	1.48	5.40	19.11

Table 1 Cornea Central and South Fields - Probabilistic Contingent Oil Resources (no development risk applied)

Ascalon Gas Discovery, Bonaparte Basin 100% interest

Discovered in 1995 by Mobil, the Ascalon gas accumulation is currently located mostly within exploration permit WA-407-P and extending into the adjacent WA-420-P. During the year Octanex lodged an application for Declaration of Location over the Ascalon gas accumulation in relation to those blocks within WA-407-P. A Declaration of Location was granted in July 2015. Octanex intends to apply for a Retention Lease over the Location area.

Octanex has now lodged an application for Declaration of Location over two blocks within WA-420-P.

The gas is contained in a faulted horst structure within shallow marine sandstones of the Late Permian, Cape Hay Formation of the Hyland Bay Subgroup. Mapping on modern 3D seismic database, which we acquired over the feature and newly reprocessed 2D seismic, indicates a closure over an area of 260km² with a maximum

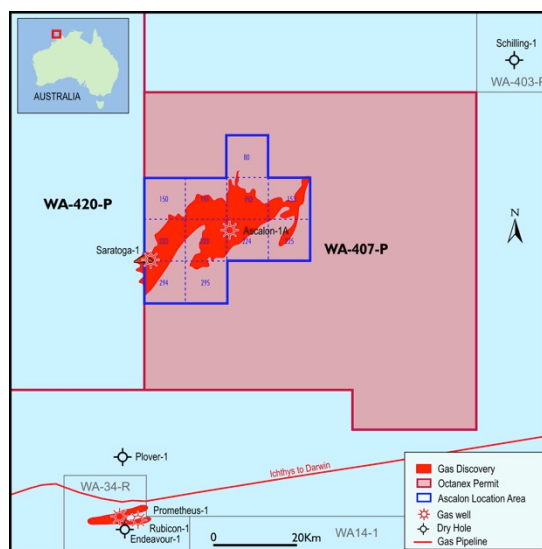


Figure 3 Ascalon Gas Discovery Retention Lease location map

closure height of 380m. The lowest closing contour appears coincident with lowest known gas defined from logs in the Ascalon-1A well. Modern petrophysics indicates a 146m gross gas column within the Cape Hay Formation in the Ascalon-1A well, which is located off the crest of the structure. The reservoir sandstones within the Cape Hay Formation are tight, not unlike those in the nearby Petrel and Tern gas discoveries.

The probabilistically determined contingent resources estimates for the Ascalon Gas Discovery are shown in Table 2 below and a statement from a Qualified Petroleum Reserves and Resources Estimator is provided on page 66 of this report.

	P90	P50	P10
Contingent gas resource - Octanex 100% (TCF)	1.04	3.01	8.74

Table 2 Ascalon gas discovery – Probabilistic Contingent Gas Resources
(no development risk applied)

The key contingency that stands in the way of classification of the Contingent Resources of the Ascalon gas accumulation as “Reserves”, is the distinction between commercial and sub-commercial accumulations. On the basis of the SPE/WPC/AAPG Resource Classification System, it is clear that the Ascalon accumulation must be assessed as commercial before any “Reserves” classification should be assigned to it.

The commerciality of Ascalon is dependent on gas market factors; both gas market demand, and pricing, as well as access to market. Located offshore from northern Australia, the most likely market for Ascalon’s gas is LNG, which would necessitate access to pipeline and LNG infrastructure. The P50 estimate of the contingent resource at Ascalon is 3 TCF of natural gas, which at current LNG gas prices, is insufficient to support a standalone LNG development.

Ascalon is located in proximity to a number of gas discoveries some of which will, or may, be commercialised in coming years, including the Icythys, Petrel and Tern discoveries. The development of other nearby gas discoveries can be expected to provide opportunities for Ascalon to be developed to tie-back to another development.

No further appraisal drilling or similar work is to be undertaken at this time. Instead; the Company will seek a Retention Lease by which it would be able to retain the acreage until access to LNG market develops.

Exploration Interests

Carnarvon Basin Exploration Interests

Octanex has various interests in five high impact permits in the Dampier sub-basin and the Exmouth Plateau of the Northern Carnarvon Basin. Its participation in four of these permits is presently fully carried.

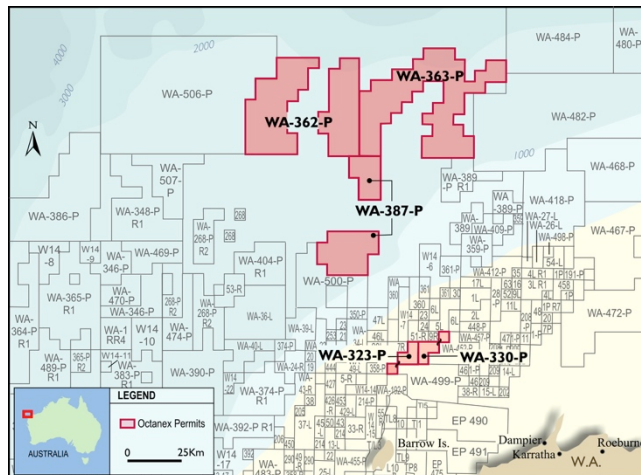


Figure 4 Carnarvon Basin interests

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

25% interest, free carried by Santos as Operator

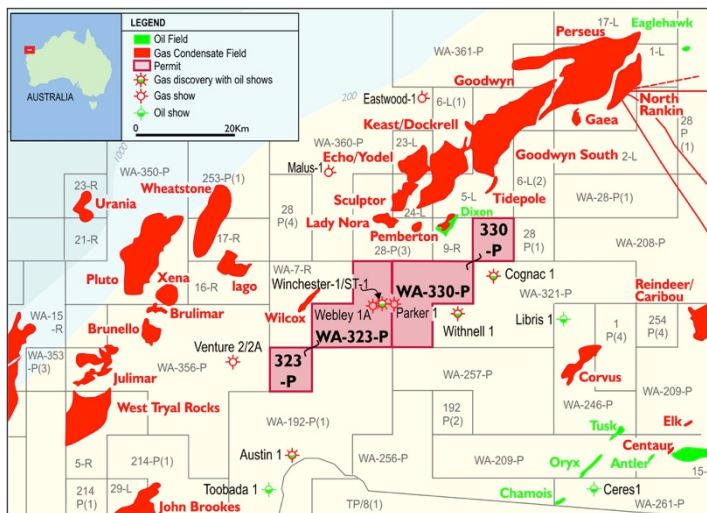


Figure 5 Dampier Sub-basin permits

WA-323-P and WA-330-P comprise a discrete project area of 640 km² on the Parker Terrace, in proximity to the onshore Devils Creek gas processing facility. The Winchester-1/ST1 discovery well was drilled from a location within WA-323-P during 2013. The estimated size of the Winchester discovery, by itself, is considered 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 considered to be 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.

During the year the 720 km² Winchester 3D seismic survey has been reprocessed with the purpose of obtaining better resolution and definition of Triassic and Jurassic targets within both the WA-323-P and WA-330-P permits. A large Triassic prospect remains untested below the TD of the Winchester-1/ST1 well within the Winchester structure and AVO supported Triassic leads exist in north western WA-323-P on the Wilcox/Lady Nora/Rankin Trend. In WA-330-P there are Triassic and Jurassic targets that were poorly imaged on the original Winchester 3D. These include the structure penetrated by the Parker-1/ST1 well that contained Triassic sandstones with good gas shows over 211m gross interval and there is the potential for similar structures along the Parker Terrace towards the Dixon oil and gas discovery.

The First phase of the Davros 3D BroadSeis™ and BroadSource™ multi-client survey was completed in the Northern Carnarvon Basin during the year. The completed survey area includes WA-323-P and WA-330-P and the Operator has licensed the data over these permits.

Octanex is currently being carried by Santos though exploration activity in each permit.

Exmouth Plateau interests

Octanex has interests in three permits in the Exmouth Plateau area of the Carnarvon Basin as shown.

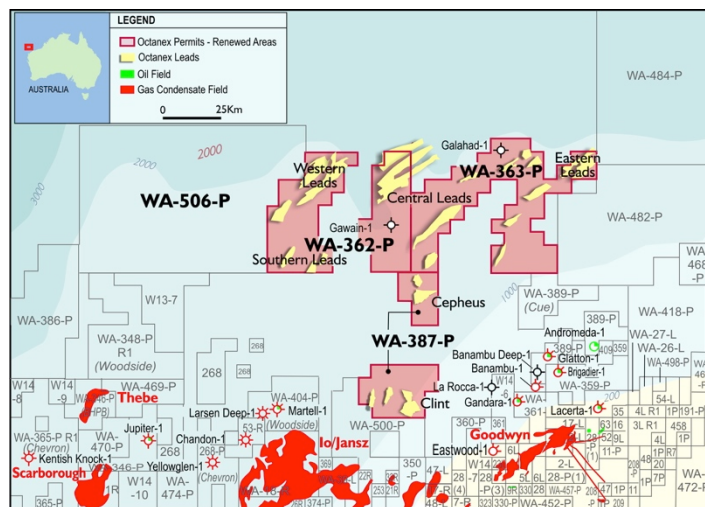


Figure 6 Exmouth Plateau Permits

Exmouth Plateau WA-362-P & WA-363

33.33% interest, free carried by Eni as Operator

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. The work program in 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.

The Operator's exploration focus in these permits has expanded from focussing on a pure gas play in the Upper Mungaroo to an early—Middle Triassic oil play within the deeper Mungaroo. Both permits received Suspension and extensions for 6 months in August 2015.

Octanex is 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.

Exmouth Plateau WA-387-P 100% interest

WA-387-P is considered to be prospective for gas within fluvial and deltaic sandstones of the Triassic Mungaroo Formation. This play is the main reservoir in the Wheatstone and Pluto gas fields located 35km and 45km due south of the permit respectively. The Mungaroo Formation is also the reservoir for the giant Goodwyn gas field located 65km to the east of the permit. A secondary play is the Late Jurassic, Oxfordian Jansz Sandstone, which is the reservoir for the giant Jansz/Io gas discovery located 35km southwest of the permit.

The current work program calls for the acquisition of 2D seismic surveys and studies. Octanex is seeking participation of other exploration and speculative seismic companies to join with it in this work.

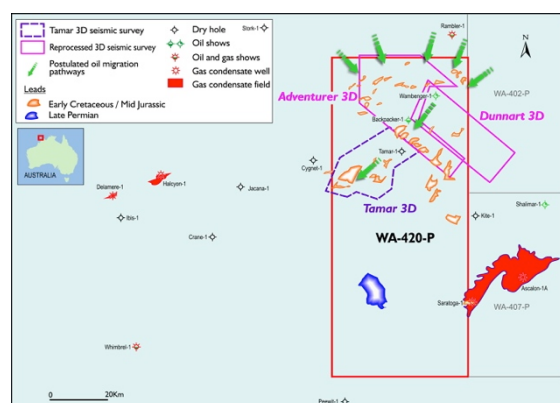


Figure 7 WA-420-P location map

Bonaparte Basin WA-420-P 100% interest

WA-420-P (Tamar) is adjacent to WA-407-P (Ascalon). The Ascalon discovery mostly located in WA-407-P permit extends into WA-420-P and an application for a Declaration of Location over two blocks in WA-420-P has been lodged.

WA-420-P is also considered to be prospective for both oil and gas within several plays. The northern part of the permit is covered by 1,725km² of new and newly reprocessed 3D seismic data which has enabled improved mapping of these plays. The

main oil play is in porous and permeable, shallow marine sandstones of the Early Cretaceous, Sandpiper Sandstone Formation in the northern part of the permit. Oil shows were encountered within a distal equivalent of this play in the Rambler-1 well, located 7km due north of the permit. There is also potential for a stacked oil play within sandstones of the underlying Elang/Plover Formations. The permit also contains a large structure (Tamar Deep) within the Late Permian, Hyland Bay Subgroup that is prospective for gas.

Surrendered and divested exploration Interests

Exploration acreage where results have been unfavourable or which has held out little hope of farmout or with onerous work commitments, has been surrendered or divested. Interests surrendered or divested during, or since the end of, the financial year include WA-386-P in the Carnarvon Basin, four permits in the Bonaparte Basin and four permits in the Taranaki Basin offshore New Zealand. Following preliminary interpretation of the Kaka 3D seismic survey, a decision was made to exit Octanex's final NZ permit interest, PEP51906.

Corporate Governance Statement

A corporate governance statement reporting on Octanex's governance framework, principles and practices is provided on the Octanex website www.octanex.com.au.

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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 2015, 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, 23 September 2015

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Annual Financial Statements

Directors' Report

Directors

Mr Geoff Albers LL.B, FAICD

Executive Chairman

Appointed 2 October 1984

Mr Albers has over thirty five years oil and gas industry experience, having first become involved in oil exploration in 1977. Mr Albers is a law graduate of the University of Melbourne and extensive experience as a director and administrator in corporate law, petroleum exploration and resource sector investment. He is a member of the Petroleum Exploration Society of Australia.

Mr Albers founded Octanex NL and is a substantial shareholder in the company. 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. Mr Albers is also a director of Moby Oil & Gas Pty Ltd which was ASX listed until October 2013.

Mrs Rae Clark B.Bus(dist), CA, MAICD, AGIA, ACIS

Executive Director

Appointed 17 October 2014

Mrs Clark has more than fifteen years experience focussed primarily on the upstream oil and gas sector. She has wide operational, commercial and project development knowledge and her experience includes business development, financial modelling and analysis, capital raising and mergers and acquisitions, as well as managing joint venture partners, government, regulator and investor relations.

Mrs Clark was previously Commercial Manager of Octanex. Having commenced her career with Deloitte in 1997, Mrs Clark has worked with oil and gas companies since 2005. She is a Director and Company Secretary of Peak Oil & Gas Limited (ASX:PKO).

Mrs Clark holds a Bachelor of Business (with distinction), a Graduate Diploma (ICAA) and Graduate Diploma in Applied Corporate Governance and is a member of the Australian Institute of Company Directors, the Chartered Accountants Australia New Zealand and Governance Institute of Australia.

Mr David Coombes LL.B, M Tax, CTA

Non-Executive Director

Appointed 15 May 2012

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, 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.

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 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.

Mr Tino Guglielmo B.Eng(Mech), FIEAust, GAICD
Non-Executive director
Appointed 18 December 2014

Mr Guglielmo is a Petroleum Engineer with over thirty three years of technical, managerial and senior executive experience in Australia and internationally.

Mr Guglielmo was the CEO and Managing Director of two successful ASX listed companies; Stuart Petroleum Ltd for seven years and Ambassador Oil & Gas Ltd for three years. Both companies merged with larger ASX listed companies generating significant value for shareholders following the identification of compelling resource potential in their respective petroleum resource portfolios.

Mr Guglielmo also worked at Santos Ltd, Delhi Petroleum Ltd, and internationally with NYSE listed Schlumberger Corp. Mr Guglielmo is currently the Chair of the Resources and Infrastructure Taskforce and member of the Minerals & Energy Advisory Council, both South Australian Government advisory bodies. He is a Fellow of the Institution of Engineers, Australia, a member of the Society of Petroleum Engineers and Australian Institute of Company Directors. Mr Guglielmo is also a director of ASX listed Bass Strait Oil Company Limited and during the past three years was a director of ASX listed Ambassador Oil & Gas Limited.

Datuk Kevin Kow How FCA
Non-Executive director
Appointed 18 December 2014

Datuk Kevin How Kow is a director of Sabah Development Bank. He is a member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and a fellow member of the Institute of Singapore Chartered Accountants and the Institute of Chartered Accountants in England & Wales. He was made a partner of Ernst & Young ("EY"), Malaysia in 1984 and served as the partner-in-charge of EY's offices in Sabah and Sarawak. Later, from 1996 onwards, he was the partner-in-charge of EY's practice in Sabah and Labuan until his retirement at the end of 2003. He also serves as a Director of Cahya Mata Sarawak Berhad, K&N Kenanga Holdings Berhad, Kenanga Investment Bank Berhad, Saham Sabah Berhad, Sarawak Cable Berhad, M3nergy Berhad and several private limited companies.

Ms Suhnylla Kler FCCA, BSc (Hons) Monetary Economics
Non-Executive director
Appointed 18 December 2014

Ms Kler has extensive experience in the financial services industry, having worked with the Arab-Malaysian Banking Group, HSBC Bank (M) Berhad and ABN AMRO. She is currently an Executive Director and CEO of Sabah Development Bank Asset Management and also serves as a Director of M3nergy Berhad and Group.

Ms Kler is registered as Associate Member of Persatuan Kewangan Malaysia (PKM) or Forex Association of Malaysia, and is a member of the Corporate Finance Faculty of the Institute of Chartered Accountants of England & Wales (ICAEW). She received her Bachelor degree in Monetary Economics from the London School of Economics and Political Sciences (LSE) and subsequently studied Japanese at the School of Oriental and African Studies (SOAS), U.K. Having completed her stint with KPMG Peat Marwick, she is additionally registered as a Chartered Accountant and fellow of the Association of Chartered Certified Accountants (FCCA).

Mr James Willis LL.M (Hons), Dip Acc
Non-Executive Director
Appointed 18 August 2009

Previously an executive director of Octanex (2009-2011) Mr Willis is an upstream petroleum consultant who has held governance positions with and consulted to various participants in the oil and gas exploration sector. Mr Willis is a former partner in the leading New Zealand law firm of Bell Gully where 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.

Mr Willis is a director of New Zealand Energy Corp, a company listed on the TSX Venture exchange.

Directors who resigned during the financial year

GA Menzies LL.B
Non-Executive Director
Resigned 18 December 2014

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 was a director of Octanex from 26 August 2003 until 18 December 2014.

Company Secretaries

Mr Jack Tuohy BCA, CA

Mr Tuohy has almost thirty years experience 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 public companies, including Moby Oil & Gas Limited and Exoil Limited, and has been a director of Bass Strait Oil Company Limited and of various unlisted companies. Mr Tuohy is a chartered accountant in New Zealand.

Mr Robert 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.

He is the Chief Financial Officer (CFO) and the Company Secretary of Octanex and CFO of several listed and unlisted exploration companies. Mr Wright is a member of CPA Australia.

Principal Activities

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

Directors' interests (at the date of this report)

	Ordinary Shares		Options
	Fully Paid	Partly Paid	
EG Albers	114,045,934	51,837,357	-
RL Clark	57,551	-	2,000,000
DC Coombes	165,000	41,500	500,000
G Guglielmo	-	200,000	-
K K How	50,000	-	-
S Kler	50,000	-	-
JMD Willis	2,398,130	1,198,752	500,000
The 2,000,000 options held by RL Clark were granted prior to her appointment as director on 18 October 2014.			

Financial Results

The net loss of the consolidated entity for the financial year was \$11,524,294 (2014: loss of \$3,445,907). \$10,215,021(after tax) of this loss is non cash and mostly attributable to surrender or impairment of exploration permits.

Dividends

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

Review of Operations

A review of the consolidated entity's Operations during the financial year is provided in the Operational review.

Divestments and surrenders

During the year, Octanex divested or surrendered the following interests:

WA-386-P Carnarvon Basin

The sale of Octanex's interest in WA-386-P to Shell Australia Pty Ltd was completed in February 2015.

WA-421-P, WA-422-P, WA-440-P, WA-441-P Bonaparte Basin

Assessment of the prospectivity of Octanex's Bonaparte Basin permits indicated that prospectivity was insufficient to justify further work in WA-421-P, WA-422-P, WA-440-P and WA-441-P and these permits were accordingly surrendered during the year.

PEP 52593, PEP 53473, PEP 53537, PEP 55790, Taranaki Basin

During the year, the NZOG operated PEP 52593 and PEP 53473 permits were surrendered. The joint decision to surrender followed recent nearby disappointing well results which rendered as unsuccessful NZOG's considerable farmout efforts. The decision was made to avoid a commitment to drill an exploration well in each permit.

PEP 53537 and PEP55790 were surrendered following a prospectivity review of each permit.

Change in State of Affairs

Other than as described in these annual financial statements there have been no changes in the state of affairs of the company.

Subsequent Events

Since the end of the financial year the following events have occurred:

- In July a Declaration of Location was granted over the Ascalon gas discovery, specifically over 10 graticular blocks in WA-407P.
- A revised FDP for the development of the Ophir field was approved by Petronas in August. The revised FDP enhances the economic potential of the Ophir development reflecting the reduced costs offered by the current low oil price environment.
- 6 month suspensions and extensions were granted in relation to WA-362-P and WA-363-P
- An application for a Declaration of Location for two blocks in WA-420-P relating to the Ascalon gas discovery was lodged in September.
- Following preliminary interpretation of the Kaka 3D seismic survey over PEP51906 in the Taranaki Basin offshore New Zealand, a decision was made to exit the permit.
- In September the board resolved that no call will be made in relation to the partly paid shares before the date that First Oil is produced at the Ophir field, or 31 December 2018, whichever is earlier.

Directors' 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		Nomination & Remuneration Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
EG Albers	7	7	3	3	1	1
RL Clark	6	6	2	2	1	1
DC Coombes	7	7	3	3	1	1
G Guglielmo	3	3	1	1	-	-
KK How	3	1	-	-	-	-
S Kler	3	2	1	-	-	-
GA Menzies	4	4	2	2	1	1
JMD Willis	7	6	1	1	1	1

Future Developments

Future developments in the company's operations and the expected result from those operations are dependent on exploration and development success in the permit areas in which the group holds interests .

Share Capital**Ordinary Shares**

During the year ended 30 June 2015, 40,332,663 fully paid ordinary shares were issued, bringing the total number of fully paid ordinary shares on issue at 30 June 2015 and at the date of this report to 192,265,561 (excluding the 33,000,000 trustee shares also quoted as ordinary fully paid shares).

As at 30 June 2015 and to the date of this report the number of partly paid ordinary shares on issue is 74,278,910.

Trustee Stock Scheme

As at 30 June 2015, 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. During the year ended 30 June 2015, these shares were quoted on the ASX as fully paid ordinary shares.

Unlisted Options

During the year the following options were granted and remained on issue at 30 June 2015 to Octanex staff and other individuals. The option terms are summarized below:

Number	Expiry Date	Exercise price	Vesting criteria
7,600,000	15 October 2018	\$0.1534	
1,000,000	19 May 2018	\$0.15	
1,000,000	11 June 2018	\$0.15	
1,000,000	11 June 2018	\$0.15	Yes
4,000,000	11 June 2018	\$0.15	Yes and expiry date adjustment
250,000	1 February 2018	\$0.20	
250,000	1 February 2018	\$0.25	

	2015 Options	2014 Options
Unlisted Options		
Balance at beginning of year	4,850,000	4,350,000
Options granted	18,100,000	3,850,000
Options surrendered/ cancelled	(7,850,000)	(2,350,000)
Options expired	-	(1,000,000)
Balance at end of year	15,100,000	4,850,000
	=====	=====

Convertible Notes

Octanex has a US\$12Million convertible note facility (Notes) with Sabah International Petroleum (SIP), a company ultimately wholly owned by Ministry of Finance of the Malaysian state of Sabah. The facility was approved by shareholders in February 2015 and consists of three US\$4million tranches with rights of conversion into fully paid ordinary shares of the Company at prices of 15, 20 and 25 cents per share for each of the tranches.

In June 2015 SIP agreed to extend the facility term. The Notes now have a maturity date of 31 March 2018 when they may be redeemed or converted at SIP's election.

Additionally, SIP has an alternative earlier conversion option, available until 30 June 2016, whereby SIP may elect to convert the Notes into a 35% shareholding in Octanex Pte Ltd.

The facility is to be utilized to fund the Ophir development. As at 30 June 2015, and at the date of this report, no amount has as yet been drawn under the facility.

Indemnification of Directors and Officeholders

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.

The Company has entered into Deeds of Access and Indemnity with each of the Directors referred to in this report who held office during the year indemnifying each against all liabilities incurred in their capacity as directors of the Company to the full extent permitted by law.

Remuneration report

This remuneration report is set out on pages 20 to 22 and forms part of the Directors' Report for the financial year ended 30 June 2015.

Corporate Governance

The Board is responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals, and the monitoring of the business and affairs of the Company on behalf of its shareholders.

The Board delegates responsibility for the day-to-day management of Octanex to the Chief Executive Officer. All Directors have unrestricted access to Company records and information and receive detailed financial and operational reports.

The Board is currently comprised of five Non- Executive Directors and two Executive Directors. In accordance with the Company's Constitution and the ASX Listing Rules, the Directors (other than the Chief Executive Officer) are subject to re-election by shareholders every three years.

The Board meets regularly throughout the year. Where appropriate, presentations are given to the Board from management who may be questioned directly by Board members on technical, operational and commercial issues.

Details of the Company's corporate governance practices are included in the Corporate Governance statement found on the Company's website.

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 2015.

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

This Directors' Report is made in accordance with a resolution of the directors and forms part of the financial statements.

On behalf of the Directors:



EG Albers
Director
23 September 2015

Remuneration Report

This Remuneration Report for the year ended 30 June 2015 outlines the key management personnel remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 (Act) and its regulations. The disclosures in this Remuneration Report have been audited as required by section 308(3C) of the Act.

Key Management Personnel

For the purpose of this report, Key Management Personnel (KMPs) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company directly or indirectly.

The following have been identified as KMPs for the purpose of this Remuneration Report:

Executive Directors

EG Albers	Chairman & Chief Executive Officer
RL Clark	Chief Operating Officer (appointed 17 October 2014)

Non-executive Directors

DC Coombes	Director
G Guglielmo	Director (appointed 18 December 2014)
KK How	Director (appointed 18 December 2014)
SK Kler	Director (appointed 18 December 2014)
GA Menzies	Director (resigned 18 December 2014)
JMD Willis	Director

The board of directors is responsible for determining and reviewing compensation arrangements for the directors and executives. 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 executives;
- The ability of directors and 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 2014 at \$250,000 per annum.

During the year, non-executive director remuneration of \$166,375 was paid and payable (2014: \$98,325). Total director remuneration (exclusive of consulting fees which are included at note 21) of \$395,759 was paid and payable during the year (2014: \$140,308).

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 and four weeks annual leave for RL Clark, the other 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.

Components of directors' compensation paid and payable are disclosed below.

		Short Term		Post Employment		Equity Settled	Total	
		Directors Fees	Salary	Super-annuation	Retirement Benefits	Options		Options as % of Total
		\$	\$	\$	\$	\$	\$	
EG Albers (1)	2015	30,000	-	2,850	9,334	-	42,184	-
	2014	30,000	-	2,775	9,208	-	41,983	-
RL Clark (2)	2015	20,959	150,000	16,241	-	-	187,200	-
	2014	-	-	-	-	-	-	-
DC Coombes	2015	30,000	-	2,850	-	10,991	43,841	25%
	2014	32,775	-	-	-	-	32,775	-
G Guglielmo (3)	2015	15,945	-	1,515	-	-	17,460	-
	2014	-	-	-	-	-	-	-
KK How (3)	2015	17,460	-	-	-	-	17,460	-
	2014	-	-	-	-	-	-	-
SK Kler (3)	2015	17,460	-	-	-	-	17,460	-
	2014	-	-	-	-	-	-	-
GA Menzies (4)	2015	13,993	-	1,329	-	10,991	26,313	42%
	2014	30,000	-	2,775	-	-	32,775	-
JMD Willis	2015	32,850	-	-	-	10,991	43,841	25%
	2014	32,775	-	-	-	-	32,775	-
TOTAL	2015	178,667	150,000	24,785	9,334	32,973	395,759	
	2014	125,550	-	5,550	9,208	-	140,308	

(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. (2) Appointed 17 October 2014

(3) All three directors appointed 18 December 2014

(4) Resigned 18 December 2014

15 October 2018 Options granted as share based payments (exercisable at 15.34 cents)

	Held at	Granted as		Other	Held at	Vested	Vested and
		Compensation	Exercised	Changes	30 June	during	exercisable at
						The year	30 June
1 July 2014					2015		2015
DC Coombes	-	500,000	-	-	500,000	-	500,000
GA Menzies	-	500,000	-	-	500,000	-	500,000
JMD Willis	-	500,000	-	-	500,000	-	500,000
	-	1,500,000	-	-	1,500,000	-	1,500,000

On 28 November 2014 the above 1,500,000 options were granted and approved by member at the Annual General Meeting. The options have no performance conditions and were fully vested on grant date. As part of the grant of the 1,500,000 options on that same date 1,500,000 32 cent 30 June 2015 options previously granted on 17 October 2012 were surrendered by the above directors.

The options were valued using the Binomial Option Valuation model. The follow inputs were used:

Exercise price:	15.34 cents
Share price at approval date:	7.5 cents
Maximum option life	3.9 years
Expected volatility	69%
Risk free interest rate	2.5%

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 seven companies was in the range of 31% to 105%. The fair value of this share based payment on the shareholder approval date was \$33,329 or \$0.0222 per option. The value of the surrendered options was \$356. This reduced the share based expense and reserve to \$32,973 in the year ended 30 June 2015.

30 June 2015 Options granted as share based payments (exercisable at 32 cents) (surrendered during the year)

	Held at	Granted as		Other	Held at	Vested	Vested and
		Compensation	Exercised	Changes	30 June	during	exercisable at
						The year	30 June
1 July 2014					2015		2015
DC Coombes	500,000	-	-	(500,000)	-	-	-
GA Menzies	500,000	-	-	(500,000)	-	-	-
JMD Willis	500,000	-	-	(500,000)	-	-	-
	1,500,000	-	-	(1,500,000)	-	-	-

As part of the grant of the 1,500,000 15 October 2018 options on 28 November 2014 all of the above 1,500,000 32 cent 30 June 2015 options were surrendered by the directors.

End of Remuneration Report.

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 2015 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 20 to 22 of the directors' report, (as part of audited Remuneration Report), for the year ended 30 June 2015, 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:



EG Albers
Director
Melbourne, 23 September 2015

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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 2015, 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.

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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.

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 2015 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.

Report on the remuneration report

We have audited the remuneration report included in pages 20 to 22 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 23 September 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year Ended 30 June 2015

	NOTE	2015 \$	2014 \$
Revenue - interest received		9,818	259,840
Other income	2	956,755	10,376,747
Finance costs		(371,039)	-
Expenses	3	(15,005,740)	(15,447,597)
		<u> </u>	<u> </u>
Loss before tax		(14,410,206)	(4,811,010)
Income tax benefit	4	2,885,912	1,365,103
		<u> </u>	<u> </u>
Net Loss after tax		(11,524,294)	(3,445,907)
		<u> </u>	<u> </u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operation		765,937	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		(161,195)	(145,139)
Income tax on items of comprehensive income		48,358	43,542
Other comprehensive income for the year net of tax		<u>653,100</u>	<u>482,579</u>
		<u> </u>	<u> </u>
Total comprehensive income for the year		(10,871,194)	(2,963,328)
		<u>=====</u>	<u>=====</u>
Basic loss per share (cents per share)	26	(5.415)	(1.752)
Diluted loss per share (cents per share)	26	(5.415)	(1.752)

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**As at 30 June 2015**

	NOTE	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents	5	5,832,084	8,506,574
Trade and other receivables	7	852,380	303,173
		<u> </u>	<u> </u>
TOTAL CURRENT ASSETS		6,684,464	8,809,747
		<u> </u>	<u> </u>
NON-CURRENT ASSETS			
Trade and other receivables	7	5,420,021	954,613
Financial assets at fair value through other comprehensive income	8	126,830	288,025
Investments in an associate and a joint venture	9,10	260,332	1,854,783
Property, plant and equipment	11	1,832	26,281
Exploration and evaluation assets	12	40,974,942	48,842,991
		<u> </u>	<u> </u>
TOTAL NON-CURRENT ASSETS		46,783,957	51,966,693
		<u> </u>	<u> </u>
TOTAL ASSETS		53,468,421	60,776,440
		<u> </u>	<u> </u>
CURRENT LIABILITIES			
Trade and other payables	13	1,257,408	1,107,819
Provisions	14	125,068	-
Current tax liabilities		-	33,605
		<u> </u>	<u> </u>
TOTAL CURRENT LIABILITIES		1,382,476	1,141,424
		<u> </u>	<u> </u>
NON-CURRENT LIABILITIES			
Provisions	14	-	72,791
Deferred tax liabilities	15	8,370,487	11,405,475
		<u> </u>	<u> </u>
TOTAL NON-CURRENT LIABILITIES		8,370,487	11,478,266
		<u> </u>	<u> </u>
TOTAL LIABILITIES		9,752,963	12,619,690
		<u> </u>	<u> </u>
NET ASSETS		43,715,458	48,156,750
		<u> </u>	<u> </u>
EQUITY			
Issue capital	16	67,848,339	61,602,959
Reserves	17	2,296,624	1,459,002
Accumulated losses		(26,429,505)	(14,905,211)
		<u> </u>	<u> </u>
TOTAL EQUITY		43,715,458	48,156,750
		<u> </u>	<u> </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 2015

	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 2014	61,602,959	(14,905,211)	111,332	584,176	763,494	48,156,750
Loss after tax	-	(11,524,294)	-	-	-	(11,524,294)
<i>Other comprehensive income</i>						
Exchange differences of translation of foreign operations net of tax	-	-	-	765,937	-	765,937
Changes in fair value on financial assets at fair value through other comprehensive income net of tax	-	-	(112,837)	-	-	(112,837)
Total other comprehensive income	-	-	(112,837)	765,937	-	653,100
Total comprehensive income for the year	-	(11,524,294)	(112,837)	765,937	-	(10,871,194)
Transactions with owners in their capacity as owners						
Share Placement	6,393,860	-	-	-	-	6,393,860
Cost of issue	(128,485)	-	-	-	-	(128,485)
Share buy back	(19,995)	-	-	-	-	(19,995)
Share-based payments expense	-	-	-	-	184,522	184,522
At 30 June 2015	67,848,339	(26,429,505)	(1,505)	1,350,113	948,016	43,715,458

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 Cash Flows
Year Ended 30 June 2015

	NOTE	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Administration fees received		432,500	14,810
Interest received		13,571	349,869
Tax paid		(34,566)	-
Payments to suppliers		(2,806,587)	(2,794,094)
		<u> </u>	<u> </u>
Net cash outflow from operating activities	(i)	(2,395,082)	(2,429,415)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to suppliers - exploration		(996,475)	(8,152,051)
Proceeds from sale of permit interest	6	350,000	10,266,615
Repayment of loan from Peak Oil & Gas Limited	7,10	260,000	-
Loan to Peak Oil & Gas Limited	7,10	(1,047,038)	(954,613)
Loans to Ophir Production Sdn Bhd	9	(4,931,924)	-
Payment for investments		-	(1,952,856)
		<u> </u>	<u> </u>
Net cash outflow from investing activities		(6,365,437)	(792,905)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing	13	6,637,991	-
Cost of share issue	16	(128,485)	-
Share buy-back	16	(19,995)	(650)
Repayment of borrowing	13	(1,316,483)	-
		<u> </u>	<u> </u>
Net inflow / (outflow) from financing activities		5,173,028	(650)
		<u> </u>	<u> </u>
Net decrease in cash and cash equivalents		(3,587,491)	(3,222,970)
Exchange gains		913,001	33,350
Cash and cash equivalents at beginning of the year		8,506,574	11,696,194
		<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	5,832,084	8,506,574
		=====	=====
(i) RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH LOSS AFTER INCOME TAX			
Loss after income tax		(11,524,294)	(3,445,907)
<i>Non cash items:</i>			
Profit on sale of permit interest		-	(10,205,719)
Impairment of exploration assets	27	8,487,470	11,757,478
Borrowing Costs		381,040	-
Exchange rate changes on the balances held in a foreign currency		(957,821)	(33,350)
Employee Provisions expense		52,277	9,208
Depreciation		4,510	7,191
Loss of disposal of asset		19,939	-
Share based payments expense		184,522	93,043
Share of loss of Peak Oil & Gas Limited	10	1,074,973	8,891
Share of loss of Ophir Production Sdn Bhd	9	1,738,234	89,182
Impairment of loan receivable from Peak	7	1,274,381	-
OPSB transaction costs		(819,995)	-
<i>Changes in assets and liabilities:</i>			
Decrease in receivables		13,155	42,155
Increase in payables		653,876	544,264
Decrease in tax liabilities		(2,977,349)	(1,295,851)
		<u> </u>	<u> </u>
Net Cash outflow from Operating Activities		(2,395,082)	(2,429,415)
		=====	=====

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

Notes to the Financial Statement
30 June 2015**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 2015 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 22 September 2015.

(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.

(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 Note 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.

Notes to the Financial Statement
30 June 2015**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*****(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.

(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. Peak Oil & Gas Limited is an Associate of Octanex for the purposes of these accounts.

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. Ophir Production Sdn Bhd is treated as a joint venture company for the purposes of these accounts.

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.

When the consolidated entity's share of losses exceeds its interest in the associate or joint venture the entity discontinues recognising its share of further losses. The interest in an associate or joint venture is the carrying amount of the investment in the associate or joint venture (refer Notes 9 and 10) together with long-term interests that in substance form part of the entity's net investment in the associate or joint venture (refer Note 7).

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.

Notes to the Financial Statement
30 June 2015**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*****(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.

(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 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 Statement
30 JUNE 2015**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 Statement
30 JUNE 2015**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 Statement
30 JUNE 2015**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 permits or 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 otherwise 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.

Farmouts in the exploration and evaluation phase

The group does not record any expenditure made by the farminee on its account. It also does not recognise any gain or loss on its exploration and evaluation farmout arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any additional cash consideration received directly from the farminee is credited against costs previously capitalised in relation to the whole interest, with any excess accounted for 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 Notes 1(p), 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, once activities in the area of interest have reached a stage which permits a reasonable assessment of technical feasibility and commercial viability, 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 Statement
30 JUNE 2015**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(q) Accounting estimates and judgements (continued)**

Management has assessed the company's investment in Ophir Production Sdn Bhd (OPSB) and Peak Oil & Gas Limited (Peak). Management has concluded that OPSB is a joint venture company and that Peak meets the definition of an associate. AASB 128 requires the use of equity accounting for investment in joint venture companies and associates.

Management has assessed recoverability of the advance to Ophir Production Sdn Bhd ("OPSB") and has decided its carrying value to be appropriate (Refer Note 7). In determining the recoverable amount management have made assumptions and estimates regarding the present value of future cashflows based on the latest data; including oil prices, production levels, interest rates and an appropriate risk based discount rate. These cash flows are particularly sensitive to future production and oil prices.

Management has assessed recoverability of the loan to Peak Oil & Gas Limited ("Peak") and has impaired the loan to an appropriate carrying value (Refer Note 7).

(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.

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.

Notes to the Financial Statement

30 JUNE 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

In calculating the weighted average number of ordinary shares outstanding, the partly paid shares are accounted for on a pro-rata basis according to the amount of call outstanding in relation thereto.

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 and revised accounting standards issued not yet effective

The company has adopted all of the new and revised Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2014.

The Directors do not believe that new and revised standards issued by AASB that are not yet effective will have any material financial impact on the financial statements.

	NOTE	Consolidated	
		2015	2014
		\$	\$
NOTE 2 OTHER INCOME			
Profit on sale of permit interest	6	-	10,205,719
Sundry income – director related	21	234,556	164,858
Net foreign exchange gain		604,483	-
Sundry income - other		117,716	6,170
Total income		<u>956,755</u>	<u>10,376,747</u>
		=====	=====

Notes to the Financial Statement
30 JUNE 2015

	NOTE	2015 \$	Consolidated 2014 \$
NOTE 3 EXPENSES			
Audit fees	23	79,292	66,988
Consulting		534,824	565,379
Directors' remuneration		189,203	131,100
Directors' retirement benefit		9,334	9,208
Exploration expensed		6,031	239,448
Foreign exchange losses		-	315,367
Legal fees		11,343	3,461
Management fees		96,500	130,778
Reporting, registry and stock exchange		90,113	55,937
Office expenses		459,809	195,470
Other expenses		416,591	289,336
Pre feasibility		-	1,297,734
Salaries		353,120	198,707
Share based payments: fair value of			
- options at grant date - directors	16	32,973	-
- options at grant date - other individuals	16	151,549	93,043
Share of loss of Ophir Production Sdn Bhd	9	1,738,234	8,981
Share of loss of Peak Oil & Gas Limited	10	1,074,973	89,182
Impairment of exploration assets	27	8,487,470	11,757,478
Impairment of loan receivable from Peak Oil & Gas Limited	7	1,274,381	-
Total expenses		15,005,740	15,477,597
		=====	=====
NOTE 4 INCOME TAX			
Components of income tax benefit			
<i>Current tax expense</i>			
Current period		(2,885,912)	(1,380,255)
Adjustment for prior period		-	15,152
<i>Deferred tax expense</i>			
Origination and reversal of temporary differences		-	-
Total		(2,885,912)	(1,365,103)
		=====	=====
Reconciliation between tax benefit and pre-tax loss			
Loss before tax		(14,410,206)	(4,811,010)
Income tax benefit using statutory income tax rate of 30%		(4,323,062)	(1,443,303)
Tax effect of adjustment recognised in the period for:			
Prospectus costs		(12,152)	(70,722)
Adjustment for prior periods		-	15,152
Non-assessable income		(304,421)	-
Other non-deductible expenses		1,679,390	146,159
Effect of different tax rates in foreign jurisdictions		74,333	(12,389)
Income tax benefit		(2,885,912)	(1,365,103)
		=====	=====
Franking credit balance:			
Franking account balance as at end of year		1,741,532	1,741,532
		=====	=====

Notes to the Financial Statement
30 JUNE 2015

	NOTE	Consolidated 2015 \$	2014 \$
NOTE 5 CASH AND CASH EQUIVALENTS			
Cash at bank and on hand		5,832,084	7,487,474
Bank deposits at call		-	1,019,100
		<u>5,832,084</u>	<u>8,506,574</u>
		=====	=====

Cash at bank and on hand includes \$5,023,806 held with the OCBC Bank in Singapore (2014: Nil). As required by the financing arrangement with Sabah International Petroleum Ltd ("SIP"), there are restrictions on the use of these funds such that they are mostly to be used to fund cash calls for the Ophir project or to repay borrowings from SIP.

Cash and cash equivalents are subject to interest rate risk as they earn floating rates. In the year to 30 June 2015 the average floating rate for the consolidated entity was 0.1% (2014: 0.4%). Details of interest rate risk and sensitivity can be found in Note 22. At 30 June 2015 all bank deposits are at call.

NOTE 6 EXPLORATION ASSETS HELD FOR SALE

Carrying amount at beginning of year		-	32,101
Cost incurred during the year		-	28,795
Disposal costs		-	(60,896)
		<u>-</u>	<u>-</u>
Carrying amount at end of year		=====	=====

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.

NOTE 7 TRADE AND OTHER RECEIVABLES
CURRENT

Other receivables		375,013	303,173
Loan to Peak Oil & Gas Limited	10, 21	440,000	-
Director-related entities - other receivables	21	37,367	-
		<u>852,380</u>	<u>303,173</u>
		=====	=====

NON CURRENT

Loan to Peak Oil & Gas Limited	10, 21	-	954,613
Advance to Ophir Production Sdn Bhd	9	5,420,021	-
		<u>5,420,021</u>	<u>954,613</u>
		=====	=====

The carrying amount of all receivables is equal to their fair value as they are short term. The non-current loan to Peak Oil & Gas Limited (director-related entity) was impaired down from \$1,714,381 to \$440,000 at 30 June 2015; an impairment loss of \$1,274,381 (2014: Nil). The impaired value of \$440,000 was received in full on 2 July 2015. Aside from the loan no other 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 except for the loan to Peak Oil & Gas Limited (Note 21).

Notes to the Financial Statement

30 JUNE 2015

		Consolidated	
		2015	2014
		\$	\$
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		69,085	230,280
	8(b)	<u>126,829</u>	<u>288,024</u>
At cost:			
Shares in controlled entities	8(c)	1	1
		<u>126,830</u>	<u>288,025</u>
		=====	=====
(a) Director-related Entities:			
<i>Moby Oil & Gas Pty Ltd</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		288,025	433,162
Net revaluation (decrement) increment		(161,195)	(145,137)
		<u>126,830</u>	<u>288,025</u>
		=====	=====

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
	<u>1</u>	<u>1</u>

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)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
2015	904		904	2,000	-	2,000	-	12	(12)
2014	916	-	916	2,000	-	2,000	-	12	(12)

NOTE 9 INVESTMENT IN A JOINT VENTURE COMPANY

The consolidated entity has a 50% (2014: 50%) 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:

Notes to the Financial Statement
30 JUNE 2015
NOTE 9 INVESTMENT IN A JOINT VENTURE COMPANY (Continued)

	Note	Consolidated 2015	2014
Current Assets (including cash \$3,769,319 (2014: \$509,369))		4,135,444	509,369
Non-Current Assets		13,562,837	794,794
Current liabilities		(2,722,212)	(266,316)
Non-Current Liabilities		(16,395,509)	-
Equity		(1,419,440)	1,037,847
		=====	=====
Proportion of the consolidated entity's ownership		50%	50%
		=====	=====
Cost of the investment		1,458,920	528,459
Share of equity accounted loss required by accounting standards		(1,458,920)	(8,981)
		=====	=====
Carrying amount of the investment		-	519,478
		=====	=====

The investment is carried at nil cost at 30 June 2015 due to the application of accounting standards which requires the company to apply its 50% share of OPSB's losses to the carrying value of the investment in OPSB. Once that investment value is extinguished to nil value, the losses then are applied to the advance made to OPSB to fund Octanex share of OPSB's development and related expenditure, as it represents part of the Group's net investment in OPSB. The cost of the investment in OPSB and the advance to OPSB are, however expected to be recovered from capital return and revenue in the form of dividends from production following the development of the Ophir oil field.

Advance to Ophir Production Sdn Bhd

Advance		5,699,335	-
Share of equity accounted loss required by accounting standards		(279,314)	-
		=====	=====
Carrying amount of advance	7	5,420,021	-
		=====	=====

Summarised statement of profit or loss of Ophir Production Sdn Bhd

Revenue		13,031,461	-
Expenses		(16,507,929)	(17,781)
		=====	=====
Loss before tax		(3,476,468)	(17,781)
		=====	=====
Income tax benefit		-	-
		=====	=====
Loss after tax		(3,476,468)	(17,781)
		=====	=====
Consolidated entity's share of loss for the year		(1,738,234)	(8,891)
		=====	=====

There are no contingent liabilities in the joint venture.

On 4 November 2014, OPSB executed a Facilities Agreement 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. Octanex has also provided a proportionate corporate undertaking to PETRONAS for the contract performance obligations of OPSB in relation to the Ophir Risk Service Contract.

Capital commitments are:

Payable not later than one year	847,666	1,224,877
Payable later than one year but not later than three years	-	-
	=====	=====
	847,666	1,224,877
	=====	=====

Notes to the Financial Statement
30 JUNE 2015
NOTE 10 INVESTMENT IN AN ASSOCIATE

The company has a 20.94% (2014: 20.94%) interest in Peak Oil & Gas Limited ("Peak"), an Australian Securities Exchange listed company involved with petroleum exploration and production in the Asia Pacific region.

The company'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:

	NOTE	Consolidated 2015	2014
Current Assets		620,022	558,707
Non-Current Assets		10,201	4,830,872
Current liabilities		(1,775,778)	(1,401,547)
Equity		(1,145,555)	3,988,032
		=====	=====
Cost of the investment		1,335,305	1,424,487
Share of equity accounted loss required by accounting standards		(1,074,973)	(89,182)
Carrying amount of the investment		260,332	1,335,305
		=====	=====
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		-	-
		-----	-----
		-	284,606
		=====	=====

NOTE 11 PROPERTY, PLANT & EQUIPMENT
Office Equipment

At cost		7,258	40,872
Accumulated depreciation		(5,426)	(14,591)
		-----	-----
		1,832	26,281
		=====	=====
Balance at beginning of year		26,281	33,472
Additions		-	-
Depreciation		(4,469)	(7,191)
Disposal of Assets		(19,980)	-
		-----	-----
Balance at end of year		1,832	26,281
		=====	=====

NOTE 12 EXPLORATION AND EVALUATION ASSETS

Carrying amount at beginning of year		48,842,991	51,950,629
Impairment of exploration assets	27	(8,487,470)	(11,757,478)
Revaluation of NZD exploration and evaluation asset		(156,885)	526,583
Cost incurred during the year		1,126,306	8,123,257
Costs recovered		(350,000)	-
		-----	-----
Carrying amount at end of year		40,974,942	48,842,991
		=====	=====

Notes to the Financial Statement

30 JUNE 2015

NOTE 12 EXPLORATION AND EVALUATION ASSETS Continued)

Exploration and evaluation assets relate to the areas of interest in the exploration phase for petroleum exploration permits and a retention lease.

30/06/2015	30/06/2014
Permits	Permits
WA-323-P	WA-323-P
WA-330-P	WA-330-P
WA-362-P	WA-362-P
WA-363-P	WA-363-P
-	WA-386-P
WA-387-P	WA-387-P
WA-407-P	WA-407-P
WA-420-P	WA-420-P
-	WA-421-P
PEP 51906 ⁽¹⁾	PEP 51906
-	PEP 53537
-	PEP 55790
Retention	Retention
Lease	Lease
WA-54-R	WA-54-R

(1) In September 2015, following preliminary interpretation of the Kaka 3D seismic survey over PEP51906 in the Taranaki Basin offshore New Zealand, a decision was made to exit the permit (Note 25).

WA-54-R, WA-323-P, WA-330-P, WA-362-P and WA-363-P 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 and WA-421-P are 100% held by the wholly-subsiary, Goldsbrough Energy Pty Ltd. WA-386-P is held 100% by the wholly-owned subsidiary, Exmouth Exploration Pty Ltd.

WA-386-P was previously 100% held in joint operation by the wholly-subsiary, Exmouth Exploration Pty Ltd, with the permit sold to Shell in February 2015 (Notes 27). Proceeds of \$350,000 were received.

WA-421-P was previously 100% held by the wholly-subsiary, Goldsbrough Energy Pty Ltd, with the permit offered but not renewed, with effect from May 2015 (Note 27).

PEP 53537 was previously 35% held in joint operation by the wholly-subsiary, Octanex NZ Limited, with the permit surrendered in April 2015 (Note 27).

PEP 55790 previously 100% held by the wholly-subsiary, Octanex NZ Limited, with the permit surrendered March 2015 (Note 27).

PEP51906 is held in joint operation by the wholly-subsiary, Octanex NZ Limited, with a decision made to exit the permit (Note 25).

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 Statement
30 JUNE 2015

	NOTE	Consolidated 2015 \$	2014 \$
NOTE 13 TRADE AND OTHER PAYABLES			
Financial liabilities at amortised cost			
<i>Current</i>			
Trade creditors and accruals		548,384	741,763
Director-related entities - other payables	21	709,024	366,056
		<u>1,257,408</u>	<u>1,107,819</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.

On the 4th December 2014 the company signed a bridge loan facility with Sabah International Petroleum Ltd for an amount of US\$12,000,000. On 26 December 2014 the company drew down US\$6,000,000 (A\$7,315,289) from the facility. After facility fees were deducted from the drawdown net cash of A\$6,637,991 was received by the company. US\$5,000,000 of the bridge facility was satisfied by the issue of 40,332,663 shares to SIP on 4 February 2015 (Refer Note 16). The balance of the bridge facility outstanding following the issue of shares, US\$1,000,000 (A\$1,316,483) was repaid on 13 April 2015. Accrued interest on the loan at that date was A\$87,900 and remains payable at 30 June 2015.

NOTE 14 PROVISIONS

<i>Current</i>			
Annual Leave		15,207	-
Directors' retirement benefit (1)		82,125	-
Long service leave		27,736	-
		<u>125,068</u>	<u>-</u>
		=====	=====
<i>Non - Current</i>			
Directors' retirement benefit		-	72,791
		=====	=====

(1) 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. The amount reflects the 22 years of service EG Albers has provided to the company.

NOTE 15 DEFERRED TAX LIABILITIES

	Deferred Tax Assets		Deferred Tax Liabilities		Net Deferred Tax	
Consolidated	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Investment revaluations	(775,820)	(727,462)	-	-	(775,820)	(727,462)
Exploration costs	-	-	13,046,016	14,979,205	13,046,016	14,979,205
Interest receivable	-	-	24,589	1,126	24,589	1,126
Accrued expenses	(9,450)	(9,810)	-	-	(9,450)	(9,810)
Provisions	(36,534)	(21,837)	-	-	(36,534)	(21,837)
Carried forward tax losses	(3,878,314)	(2,815,747)	-	-	(3,878,314)	(2,815,747)
	<u>(4,700,118)</u>	<u>(3,574,856)</u>	<u>13,070,605</u>	<u>14,980,331</u>	<u>8,370,487</u>	<u>11,405,475</u>
	=====	=====	=====	=====	=====	=====

Notes to the Financial Statement
30 JUNE 2015
NOTE 15 DEFERRED TAX LIABILITIES (Continued)

	Opening Balance At 1 July 2014 \$	Charged/ (credited) to Income Statement \$	Charged/ (credited) directly to Equity \$	Closing Balance at June 2015 \$
Consolidated				
Investment revaluations	(727,462)	-	(48,358)	(775,820)
Exploration costs	14,979,205	(1,933,189)	-	13,046,016
Interest receivable	1,126	23,463	-	24,589
Accrued expenses	(9,810)	360	-	(9,450)
Provision	(21,837)	(14,697)	-	(36,534)
Carried forward tax losses	(2,815,747)	(1,062,567)	-	(3,878,314)
	<u>11,405,475</u>	<u>(2,986,630)</u>	<u>(48,358)</u>	<u>8,370,487</u>

	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	(2,418,975)	(396,772)	-	(2,815,747)
	<u>12,778,474</u>	<u>(1,329,457)</u>	<u>(43,542)</u>	<u>11,405,475</u>

NOTE 16 CONTRIBUTED EQUITY

Issued Capital	2015 Shares	2014 Shares	2015 \$	2014 \$
Ordinary shares fully paid (a)	192,265,561	152,122,898	56,806,364	50,560,984
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	-	-
Balance at end of year	<u>299,544,471</u> =====	<u>259,401,808</u> =====	<u>67,848,339</u> =====	<u>61,602,959</u> =====

Notes to the Financial Statement
30 JUNE 2015**NOTE 16 CONTRIBUTED EQUITY (Continued)**

	2015	2014	2015	2014
	Shares	Shares	\$	\$
<i>(a) Ordinary shares fully paid</i>				
Movements during the year				
Balance at beginning of year	152,122,898	152,127,398	50,560,984	50,561,634
Share placement (1)	40,332,663	-	6,393,860	-
Placement costs(1)	-	-	(128,485)	-
Share buy back	(190,000)	(4,500)	(19,995)	(650)
Balance at end of year	<u>192,265,561</u>	<u>152,122,898</u>	<u>56,806,364</u>	<u>50,560,984</u>
	=====	=====	=====	=====

(1) On the 4th December 2014 the company signed a bridge loan facility with Sabah International Petroleum Ltd for an amount of US\$12,000,000. On 26 December 2014 the company drew down US\$6,000,000 from this facility. On 4 February 2015 US\$5,000,000 of the bridge facility was satisfied by the issue of 40,332,663 shares to SIP (refer Note 13). No cash was received by the company for this placement but costs of \$128,485 were paid to SIP as part of the placement arrangement.

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 the date that First Oil is produced at the Ophir field, or 31 December 2018, whichever is earlier.

(c) Ordinary Shares Issued Pursuant to Trustee Stock Scheme

No movements during the year.

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. During the year those new trustee shares were quoted as fully paid ordinary shares. When the trustee sells those shares the trustee must 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 16 October 2014, 2,000,000 options were granted to a consultant. The options are fully vested, had an expiry date of 15 October 2018 and an exercise price of 15.34 cents.

Notes to the Financial Statement

30 JUNE 2014

NOTE 16 CONTRIBUTED EQUITY (Continued)

Unlisted Options - (Share Based Payment) – Continued

On 28 November 2014 1,500,000 options were granted to directors and approved by members at the annual general meeting. As part of the grant of the 1,500,000 options on 28 November 2014 on the same day the 1,500,000 30 June 2015 32 cent options were surrendered by the directors.

On 28 November 2014 14,600,000 options were granted to Octanex staff and other individuals and approved by members at the annual general meeting. As part of the grant of the 14,600,000 options on 28 November 2014 on the same day the 3,350,000 21 May 2016 32 cent options were surrendered by the directors.

On 14 April 2015 3,000,000 of the 14,600,000 options that were granted to Octanex staff and other individuals and approved by members at the annual general meeting were cancelled as vesting conditions were not met.

On 22 May 2014, 3,350,000 options were granted to Octanex staff and other individuals. The options were fully vested, had an expiry date of 21 May 2016 and an exercise price of 15.34 cents. They were surrendered on 28 November 2014 per the above paragraph.

On 17 October 2012, 3,850,000 options were granted to the directors of Octanex and other individuals. The options were fully vested, had 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. The remaining 1,500,000 options granted to directors were surrendered by those directors on 28 November 2014 per the preceding paragraphs.

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.

	2015 Options	2014 Options
Unlisted Options		
Balance at beginning of year	4,850,000	4,350,000
Options granted	18,100,000	3,850,000
Options surrendered/ cancelled	(7,850,000)	(2,350,000)
Options expired	-	(1,000,000)
Balance at end of year	15,100,000	4,850,000
	=====	=====

The 2,000,000 options granted to the consultant on 16 October 2014 were valued using the Binomial Option Valuation model. The following inputs were used:

Exercise price:	15.34 cents
Share price at grant date:	9.0 cents
Maximum option life	4.0 years
Expected volatility	67%
Risk free interest rate	2.75%

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 31% to 105%. The fair value of this share based payment at grant date was \$58,704. The options were fully vested at grant date so a share based payment expense with a corresponding increase in equity of \$58,704 has been recognised for the year ended 30 June 2015.

The 1,500,000 options granted to directors on 28 November 2014 were valued using the Binomial Option Valuation model. The follow inputs were used:

Exercise price:	15.34 cents
Share price at approval date:	7.5 cents
Maximum option life	3.9 years
Expected volatility	69%
Risk free interest rate	2.5%

Notes to the Financial Statement
30 JUNE 2015**NOTE 16 CONTRIBUTED EQUITY (Continued)**

Unlisted Options - (Share Based Payment) – Continued

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 31% to 105%. The fair value of this share based payment on the shareholder approval date was \$33,329 or \$0.0222 per option. The value of the surrendered options was \$356. This reduced the share based expense and reserve to \$32,973 in the year ended 30 June 2015

Of the 14,600,000 options granted to Octanex staff and other individuals on 28 November 2014 4,100,000 were valued using the Binomial Option Valuation model and the following inputs:

Exercise price:	15.34 cents
Share price at approval date:	7.5 cents
Maximum option life	3.9 years
Expected volatility	69%
Risk free interest rate	2.5%

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 31% to 105%. The fair value of this share based payment on the shareholder approval date was \$91,098 or \$0.0222 per option. The value of the surrendered options was \$48,258. This reduced the share based expense and reserve to \$42,840 in the year ended 30 June 2015

Of the 14,600,000 options granted to Octanex staff and other individuals on 28 November 2014 250,000 were valued using the Binomial Option Valuation model and the following inputs:

Exercise price:	20 cents
Share price at approval date:	7.5 cents
Maximum option life	3.0 years
Expected volatility	69%
Risk free interest rate	2.5%

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 31% to 105%. The fair value of this share based payment at grant date was \$3,522. The options were fully vested at grant date so a share based payment expense with a corresponding increase in equity of \$3,522 has been recognised for the year ended 30 June 2015.

Of the 14,600,000 options granted to Octanex staff and other individuals on 28 November 2014 250,000 were valued using the Binomial Option Valuation model and the following inputs:

Exercise price:	25 cents
Share price at approval date:	7.5 cents
Maximum option life	4.0 years
Expected volatility	69%
Risk free interest rate	2.5%

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 31% to 105%. The fair value of this share based payment at grant date was \$3,889. The options were fully vested at grant date so a share based payment expense with a corresponding increase in equity of \$3,889 has been recognised for the year ended 30 June 2015.

Notes to the Financial Statement**30 JUNE 2015****NOTE 16 CONTRIBUTED EQUITY (Continued)**

Unlisted Options - (Share Based Payment) – Continued

Of the 14,600,000 options granted to Octanex staff and other individuals on 28 November 2014 1,000,000 were valued using the Binomial Option Valuation model and the following inputs:

Exercise price:	15cents
Share price at approval date:	7.5 cents
Maximum option life	3.5 years
Expected volatility	69%
Risk free interest rate	2.5%

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 31% to 105%. The fair value of this share based payment at grant date was \$20,822. The options were fully vested at grant date so a share based payment expense with a corresponding increase in equity of \$20,822 has been recognised for the year ended 30 June 2015.

Of the 14,600,000 options granted to Octanex staff and other individuals on 28 November 2014 1,000,000 were valued using the Binomial Option Valuation model and the following inputs:

Exercise price:	15cents
Share price at approval date:	7.5 cents
Maximum option life	3.6 years
Expected volatility	69%
Risk free interest rate	2.5%

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 31% to 105%. The fair value of this share based payment at grant date was \$21,103. The options were fully vested at grant date so a share based payment expense with a corresponding increase in equity of \$21,103 has been recognised for the year ended 30 June 2015.

Of the 14,600,000 options granted to Octanex staff and other individuals on 28 November 2014 2,000,000 options had vesting conditions attached that were unable to be met and so value was attributable to them.

Of the 14,600,000 options granted to Octanex staff and other individuals on 28 November 2014 1,000,000 were valued using the Binomial Option Valuation model and the following inputs:

Exercise price:	15cents
Share price at approval date:	7.5 cents
Maximum option life	4.1 years
Expected volatility	69%
Risk free interest rate	2.5%

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 31% to 105%. The fair value of this share based payment at grant date was \$16,463. The options have vesting conditions in relation to OPSB oil production and capex at grant date with a 70% probability that those conditions will be met. The fair value is recognised over the period during which the grantee become unconditionally entitled to the options so at 30 June 2015 \$361 of the share based payment expense with a corresponding increase in equity of \$361 has been recognised.

Notes to the Financial Statement
30 JUNE 2015
NOTE 16 CONTRIBUTED EQUITY (Continued)

Unlisted Options - (Share Based Payment) – Continued

Of the 14,600,000 options granted to Octanex staff and other individuals on 28 November 2014 1,000,000 were valued using the Binomial Option Valuation model and the following inputs:

Exercise price:	15cents
Share price at approval date:	7.5 cents
Maximum option life	4.1 years
Expected volatility	69%
Risk free interest rate	2.5%

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 31% to 105%. The fair value of this share based payment at grant date was \$11,760. The options have vesting conditions in relation to OPSB oil production and capex at grant date with a 50% probability that those conditions will be met. The fair value is recognised over the period during which the grantee become unconditionally entitled to the options so at 30 June 2015 \$258 of the share based payment expense with a corresponding increase in equity of \$258 has been recognised.

Of the 14,600,000 options granted to Octanex staff and other individuals on 28 November 2014 1,000,000 were valued using the Binomial Option Valuation model and the following inputs:

Exercise price:	15cents
Share price at approval date:	7.5 cents
Maximum option life	5.1 years
Expected volatility	69%
Risk free interest rate	2.5%

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 31% to 105%. The fair value of this share based payment at grant date was \$2,699. The options have vesting conditions in relation to OPSB oil production and capex at grant date with a 10% probability that those conditions will be met. The fair value is recognised over the period during which the grantee become unconditionally entitled to the options so at 30 June 2015 \$48 of the share based payment expense with a corresponding increase in equity of \$48 has been recognised.

	Consolidated	
	2015	2014
	\$	\$
NOTE 17 RESERVES		
Financial assets at fair value through other comprehensive income reserve	(1,505)	111,332
Option reserve	948,016	763,494
Foreign currency translation reserve	1,350,113	584,176
	<u>2,296,624</u>	<u>1,459,002</u>
	=====	=====
Financial assets at fair value through other comprehensive income reserve		
Balance at beginning of financial year	111,332	212,929
Changes in fair value on financial assets at fair value through other comprehensive income	(161,195)	(145,139)
Income tax on other comprehensive income	48,358	43,542
	<u>(1,505)</u>	<u>111,332</u>
	=====	=====

Notes to the Financial Statement
30 JUNE 2014

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	763,494	670,451
Share based payment expense	184,522	93,043
	<u> </u>	<u> </u>
	948,016	763,494
	=====	=====

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	584,176	-
Movement for the year	765,937	584,176
	<u> </u>	<u> </u>
	1,350,113	584,176
	=====	=====

The foreign currency translation reserve relates to the consolidation of foreign currency denominated fully owned subsidiary entities. At 30 June 2015 the following companies and currencies held in those companies were consolidated.

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

Consolidated	
2015	2014
\$	\$

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	1,557,292	2,689,489
Payable later than one year but not later than three years	490,625	481,250
	<u> </u>	<u> </u>
	2,047,917	3,170,739
	=====	=====

Notes to the Financial Statement
30 JUNE 2015
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	2015 Interest	2014 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 (1)	22.5%	22.5%	PEP 51906
Stirling (2)	-	60%	WA-422-P
Hector (3)	-	35%	PEP 53537
Taranga (4)	-	50%	PEP 52593
Takapou (4)	-	50%	PEP 53473

(1) In September 2015, following preliminary interpretation of the Kaka 3D seismic survey over PEP51906 in the Taranaki Basin offshore New Zealand, a decision was made to exit the permit (Note 25).

(2) 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 (Note 12).

(3) PEP 53537 surrendered – effective 22 April 2015.

(4) The decision was made to surrender the PEP 53473 and PEP 52593 exploration permits with effect on 19 and 30 September 2014 respectively.

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

	NOTE	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents		1,231	29,130
Receivables	7	1,259	2,409
NON-CURRENT ASSETS			
Exploration and evaluation assets	12	30,664,632	33,822,913
CURRENT LIABILITIES			
Payables	13	728	112,442
Payables – director-related entity	13, 21	17,854	15,656
		Consolidated	
		2015	2014
		\$	\$

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	103,125	304,072
Payable later than one year but not later than three years	140,625	243,750
	<u>243,750</u>	<u>547,822</u>
	=====	=====

Notes to the Financial Statement
30 JUNE 2015
NOTE 20 KEY MANAGEMENT PERSONNEL
Executive Directors

EG Albers

RL Clark

Non-Executive Directors

DC Coombes

G Guglielmo

KK How

SK Kler

JMD Willis

On 18 December 2014 GA Menzies resigned as a director of the company and ceased to be key management personnel.

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 directors of the company. A summary of the remuneration report is shown below.

		<i>Short Term</i>		<i>Post Employment</i>		<i>Equity Settled</i>	<i>Total</i>
		<i>Directors Fees</i>	<i>Salary</i>	<i>Super</i>	<i>Retirement Benefits</i>	<i>Options</i>	
		\$	\$	\$	\$	\$	\$
TOTAL	2015	178,667	150,000	24,785	9,334	32,973	395,759
	2014	125,550	-	5,550	9,208	-	140,308

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
	01/07/2014				30/06/2015
EG Albers	113,146,172	-	-	817,585	113,963,757
RL Clark	-	-	-	-	-
DC Coombes	165,000	-	-	-	165,000
G Guglielmo	-	-	-	57,551	57,551
KK How	-	-	-	50,000	50,000
SK Kler	-	-	-	50,000	50,000
GA Menzies	-	-	-	-	-
JMD Willis	2,302,367	-	-	95,763	2,398,130
	01/07/2013				30/06/2014
EG Albers	113,146,172	-	-	-	113,146,172
DC Coombes	165,000	-	-	-	165,000
GA Menzies	-	-	-	-	-
JMD Willis	2,302,367	-	-	-	2,302,367

Notes to the Financial Statement
30 JUNE 2015
NOTE 20 KEY MANAGEMENT PERSONNEL (Continued)
Interests in partly paid ordinary shares

	Balance	Received as	Options	Net Change	Balance
		Remuneration	Exercised	Other	
	01/07/2014				30/06/2015
EG Albers	51,837,357	-	-	-	51,837,357
RL Clark	-	-	-	-	-
DC Coombes	41,500	-	-	-	41,500
G Guglielmo	-	-	-	200,000	200,000
KK How	-	-	-	-	-
SK Kler	-	-	-	-	-
GA Menzies	500,000	-	-	-	500,000
JMD Willis	1,198,752	-	-	-	1,198,752
	01/07/2013				30/06/2014
EG Albers	51,837,357	-	-	-	51,837,357
DC Coombes	41,500	-	-	-	41,500
GA Menzies	500,000	-	-	-	500,000
JMD Willis	1,198,752	-	-	-	1,198,752

Interests in unlisted options

	Held at	Granted as		Other	Held at	Vested	Vested and
	30 June	Compensation(1)	Exercised	Changes(2)	30 June	during	exercisable at
						the year	30 June
	1 July 2014				2015		2015
RL Clark	-	-	-	2,000,000	2,000,000	-	2,000,000
DC Coombes	500,000	500,000	-	(500,000)	500,000	-	500,000
GA Menzies	500,000	500,000	-	(1,000,000)	-	-	-
JMD Willis	500,000	500,000	-	(500,000)	500,000	-	500,000
	1,500,000	1,500,000	-	-	3,000,000	-	3,000,000

(1) On 28 November 2014 1,500,000 options were granted to directors and approved by members at the annual general meeting. As part of the grant of the 1,500,000 options on 28 November 2014 on the same day the 1,500,000 30 June 2015 32 cent options were surrendered by the directors.

(2) On 18 December 2014 GA Menzies resigned as a director of the company as ceased to be key management personnel. The 2,000,000 were held by RL Clark, prior to her appointment as director on 18 October 2015.

	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
GA Menzies	500,000	-	-	-	500,000	-	500,000
JMD Willis	500,000	-	-	-	500,000	-	500,000
	1,500,000	-	-	-	1,500,000	-	1,500,000

Notes to the Financial Statement
30 JUNE 2015
NOTE 21 RELATED PARTY DISCLOSURES

The consolidated financial statements of the Group include:

Name	2015 Interest	2014 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 Pty Ltd	100%	100%	Australia
Winchester Exploration Pty Ltd	100%	100%	Australia
Octanex Pte Ltd	100%	100%	Singapore
Octanex Malaysia Sdn Bhd	100%	100%	Malaysia

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 and/or facilities 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 up to 18 Dec 2014
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
Petroleum Advisors (PA), a director related entity of G Guglielmo

Consolidated	Service Provided	2015 \$	2014 \$
Exoil	Office services and amenities in Melbourne	326,618	151,835
Peak	Consulting services to Ophir project	162,398	238,490
NRG	Management and administration services to the Group	96,500	150,000
NRG	Management of exploration tenements	104,438	154,750
NRG	Management services to Ophir project	120,000	140,000
Gresham	Management and consulting services to the Group	190,745	289,092
PA	Management services to Ophir project	18,500	-
Upstream	Management and consulting services to the Group	7,029	57,331
Upstream	Management of exploration tenements	11,738	237,462
Upstream	Management services to Ophir project	68,599	19,000
Upstream	Provision of office services and amenities in NZ	6,419	19,646

Notes to the Financial Statement
30 JUNE 2015**NOTE 21 RELATED PARTY DISCLOSURES (Continued)**

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:

	2015	Consolidated 2014
	\$	\$
Payables		
Exoil Pty Ltd	83,230	53,656
Natural Resources Group Pty Ltd	623,044	293,400
Petroleum Advisors	2,750	-
Upstream	-	19,000
	<u>709,024</u>	<u>366,056</u>
	=====	=====

(ii) Providers of Services to Related Party

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

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

Sundry Revenue		
Auralandia Pty Ltd	-	3,600
Moby Oil & Gas Pty Ltd	4,420	1,610
Alpha Natural Resources Pty Ltd	10,107	8,786
Cornea Resources Pty Ltd – Operator Cornea JV	6,470	39,268
Sequest Petroleum Pty Ltd	6,601	4,388
Ophir Production Sdn Bhd (Note 21 (iv))	124,995	-
Peak Oil & Gas Limited (Note 21 (iii) & (iv))	81,963	107,206
	<u>234,556</u>	<u>164,858</u>
	=====	=====

Receivables from related parties:

Cornea Resources Pty Ltd – Operator Cornea JV	572	-
Moby Oil & Gas Pty Ltd	4,862	-
Ophir Production Sdn Bhd	31,933	-
	<u>37,367</u>	<u>-</u>
	=====	=====

Notes to the Financial Statement

30 JUNE 2015

NOTE 21 RELATED PARTY DISCLOSURES (Continued)

(iii) Loan to Peak Oil & Gas Limited

	Consolidated	
	2015	2014
	\$	\$
Carrying amount at beginning of year	954,613	-
Drawdowns	1,047,038	944,586
Accrued interest	81,963	10,027
Application of trade payables to loan	(109,233)	-
Loan repayments	(260,000)	-
Impairment of loan	(1,274,381)	-
Carrying amount at end of year	440,000	954,613
	=====	=====

Peak Oil & Gas Limited is a director-related entity of EG Albers. The impaired value of \$440,000 was received in full on 2 July 2015. The loan is secured by a charge over the assets of Peak Oil & Gas Limited.

In March 2015 Octanex executed an amended loan agreement and associated security documentation with Peak and its subsidiary (Peak Oil & Gas (Australia) Pty Ltd) (POGA) (Peak Group) in relation to Peak's debt due to Octanex. The key principles of these documents are summarised below.

- a) Peak Group's indebtedness to Octanex was fixed as at 31 December 2014 at \$1,952,815 which, from 1 January 2015, bears interest at the RBA cash rate from time to time. Unpaid interest will be capitalised.
- b) The revised terms provide for extensions of the due date for payment of Peak Group's debt to Octanex on a recurring 60 day cycle with possible extensions on a rolling basis for a maximum of 18 months from 31 December 2014 to 30 June 2016, subject to Octanex not terminating the arrangement at any time during a 60 day period.
- c) During each 60 day extension period Peak Group and Octanex will consult as to action being taken or steps available to Peak Group to repay its indebtedness to Octanex.
- d) Peak and POGA have assumed joint and several liability to Octanex repay all such moneys which were advanced by Octanex to Peak Group and which were used substantially by POGA to fund its obligations in relation to South Block A in Indonesia.
- e) the loan documentation has been revised with an Amended and Restated Loan Agreement being entered into and both Peak and POGA have, pursuant to a further ASX waiver granted on 27 February 2015, granted charges over their assets to secure repayment of the Peak Group's indebtedness.

(iv) Advance to Ophir Production Sdn Bhd

During the year ended 30 June 2015, the company advanced Ophir Production Sdn Bhd \$5,420,021 (June 2014 \$nil). The funds have not been repaid at 30 June 2015 and are expected to be recovered from capital return and revenue in the form of dividends from production from the development of the Ophir oil field.

(v) Investments in director-related companies

At 30 June 2015, the company carried an investment in an ASX listed company Peak Oil & Gas Limited, (Note 10), which is a director-related entity of EG Albers.

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

Notes to the Financial Statement
30 JUNE 2015

	2015	Consolidated 2014
	\$	\$

NOTE 22 FINANCIAL INSTRUMENTS
Categories of Financial Instruments
Financial Assets

Cash & cash equivalents	5,832,084	8,506,574
At fair value through other comprehensive income	126,830	288,025
Trade and other receivables – current ex prepayments	556,121	292,173
Trade and other receivables – non current	5,420,021	954,613
	<u>11,935,056</u>	<u>10,041,385</u>

Financial Liabilities at amortised cost

Trade and other payables	1,257,408	1,107,819
	<u>1,257,408</u>	<u>1,107,819</u>

Recognition and derecognition

Purchases and sales of financial assets and financial liabilities are recognised on trade date which 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 2015 and 30 June 2014 on a recurring basis are as follows:

30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Listed securities and debentures	69,085	-	-	69,085
Unlisted securities and debentures			57,745	57,745
Total	<u>69,085</u>	<u>-</u>	<u>57,745</u>	<u>126,830</u>
Net fair value	<u>69,085</u>	<u>-</u>	<u>57,745</u>	<u>126,830</u>

Notes to the Financial Statement
30 JUNE 2015
NOTE 22 FINANCIAL INSTRUMENTS (Continued)

	Level 1	Level 2	Level 3	Total
30 June 2014				
	\$	\$	\$	\$
Assets				
Listed securities and debentures	230,280	-	-	230,280
Unlisted securities and debentures	-	-	57,745	57,745
Total	230,280	-	57,745	288,025
Net fair value	230,280	-	57,745	288,025

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.

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 \$10,824 (2014: \$7,134).

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 2015:					
Consolidated					
<i>Non-derivative Financial Liabilities</i>					
Trade and other payables	1,257,408	1,257,408	1,257,408	-	-
Non current payables	-	-	-	-	-
	1,257,408	1,257,408	1,257,408	-	-

30 June 2014:
Consolidated

Non-derivative Financial Liabilities

Trade and other payables	1,107,819	1,107,819	1,107,819	-	-
Non current payables	-	-	-	-	-
	1,107,819	1,107,819	1,107,819	-	-

Notes to the Financial Statement
30 JUNE 2015
NOTE 22 FINANCIAL INSTRUMENTS (Continued)
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 2015 the consolidated entity has a foreign currency exposure by holding US dollars in bank accounts totalling US\$4,384,787 (2014: \$6,857,118) and an advance to Ophir Production Sdn Bhd of US\$4,377,090. A one cent movement in the USD/AUD exchange rate would move consolidated equity by AUD\$102,649 (2014: \$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.

	2015 \$	2014 \$
Financial Assets at fair value through other comprehensive income		
<i>Investments in listed equities</i>		
Oil Basins Limited	69,085	230,280
	<u>69,085</u>	<u>230,820</u>
<i>Investments in unlisted equities</i>		
Moby Oil & Gas Pty Ltd	57,745	57,745
	<u>57,745</u>	<u>57,745</u>
	<u>126,830</u>	<u>288,025</u>
	=====	=====

The consolidated entity and company investments in listed equities are listed on the Australian Securities Exchange. A 10% increase / decrease at the reporting date in closing share price of each share held would have increased/decreased consolidated equity by \$6,909 (2014: \$23,082). 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.

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

Notes to the Financial Statement

30 JUNE 2015

NOTE 23 AUDITOR'S REMUNERATION

	Consolidated	
	2015	2014
	\$	\$
Amounts received or due and receivable by:		
Grant Thornton Audit Pty Ltd - Auditor of the consolidated entity and company	67,863	66,988
Related practices of the parent company auditor		
Audit and review of the financial reports		
SJ Grant Thornton – Auditor of Octanex Malaysia Sdn Bhd	2,802	-
Foo Kon Tan Grant Thornton – Auditor of Octanex Pte Ltd	8,627	-
	<u>79,292</u>	<u>66,988</u>
	=====	=====

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 \$579 from New Zealand. All exploration and evaluation assets are held in Australia.

NOTE 25 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 3 August 2015 the company announced that a location had been declared over the Ascalon gas discovery in the Southern Bonaparte Basin, offshore from Western Australia covering 10 graticular blocks in exploration permit WA-407-P.

On 1 September 2015 the Company announced that Petronas had approved a revised Field Development Plan for the Ophir development.

In September 2015 the Company lodged an application for a Declaration of Location over two graticular blocks within exploration permit WA-420-P into which the Ascalon gas discovery extends.

In September 2015, following preliminary interpretation of the Kaka 3D seismic survey over PEP51906 in the Taranaki Basin offshore New Zealand, a decision was made to exit the permit (Note 27).

	Consolidated	
	2015	2014
	\$	\$

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	(11,524,294)	(3,445,907)
	Number of	Number of
	Shares	Shares
Weighted average number of shares	212,827,246	196,694,744

In calculating the weighted average number of shares for the purposes of calculating basic and diluted earnings per share, the partly paid shares are accounted for on a pro-rata basis according to the amount of call outstanding in relation thereto.

Unlisted options outstanding during the year (Refer Note 16) are not dilutive at the 30th June 2015 as the exercise price is higher than the average share price for the year then ended.

Notes to the Financial Statement

30 JUNE 2015

NOTE 27 IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

In February 2015 the WA-386-P permit was sold to Shell Australia Pty Ltd for \$350,000. As a consequence, the carrying value of \$3,510,091 had previously been written down by \$3,160,091 to \$350,000 at 31 December 2014.

PEP 55790 was impaired and its carrying value of \$181,565 written off following the surrender the permit, effective March 2015.

PEP 53537 was impaired and its carrying value of \$1,167,756 written off following the surrender of the permit, effective April 2015.

Following the decision not to renew WA-421-P, effective May 2015, the carrying value of the permit (being \$1,628,218) was determined to be impaired and therefore written off at 30 June 2015.

Following the decision to exit PEP 51906 (Note 25), the carrying value of the permit (being \$2,360,957) was determined to be impaired and therefore written off at 30 June 2015.

The impairment writedowns were determined by analysing current year costs and the costs previously capitalised with respect to the permits.

NOTE 28 PARENT ENTITY INFORMATION

The following details information related to the parent entity, Octanex NL at 30 June 2015. 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.

	2015	2014
	\$	\$
Current assets	6,407,769	816,755
Non-current assets	65,233,828	71,368,342
Total assets	71,641,597	72,185,097
Current liabilities	1,287,533	714,862
Non-current liabilities	13,536,052	13,443,534
Total liabilities	14,823,585	14,158,396
Contributed equity	67,848,339	61,602,959
Options reserve	948,016	763,494
Financial assets at fair value through other comprehensive income reserve	(435,163)	(347,100)
Accumulated losses	(11,543,180)	(3,992,652)
Total equity	56,818,012	58,026,701
(Loss) profit for the year	(7,550,528)	(3,757,979)
Other comprehensive income for the year	(88,063)	(83,903)
Total comprehensive income for the year	(7,638,591)	(3,841,882)

The company has no contingent liabilities.

No dividends were paid by the parent entity in 2015 (2014: Nil).

Notes to the Financial Statement**30 JUNE 2015****NOTE 28 PARENT ENTITY INFORMATION (Continued)**

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

	2015	2014
	\$	\$
Payable not later than one year	56,375	46,125
Payable later than one year but not later than three years	76,875	133,250
	133,250	179,375

NOTE 29 CONTINGENT LIABILITY*Consulting Agreement*

In the half year report to 31 December 2014 the company disclosed that a former consultant engaged by Octanex had commenced action against the company claiming that his termination of contract was null and void and in breach of Octanex's obligations to the consultant. The case has been settled and the complaint has been withdrawn.

Additional Information (unaudited)

As at 15 September 2015 Octanex holds the following interests in Petroleum Tenements:

Octanex Licences

Permit	Location	Octanex interest %	Operator
Ophir	Malay Basin, Offshore	50% (via Octanex Pte Ltd)	Ophir Production
SFRSC	Peninsular Malaysia		Sdn Bhd
WA-330-P	Dampier Sub Basin, Carnarvon Basin, Offshore Western Australia	25% via Winchester Resources NL	Santos Offshore Pty Ltd
WA-323-P	Dampier Sub Basin, Carnarvon Basin, Offshore Western Australia	25% via Winchester Resources NL	Santos Offshore Pty Ltd
WA-362-P	Exmouth Plateau, Carnarvon Basin, Offshore Western Australia	33.33% comprised of: 11.667% via Octanex NL 11.667% via Strata Resources 9.999% via Exmouth Exploration Pty Ltd	Eni Australia Limited
WA-363-P	Exmouth Plateau, Carnarvon Basin, Offshore Western Australia	33.33% comprised of: 11.667% via Octanex NL 11.667% via Strata Resources 9.999% via Exmouth Exploration Pty Ltd	Eni Australia Limited
WA-387-P	Exmouth Plateau, Carnarvon Basin, Offshore Western Australia	100% via Exmouth Exploration Pty Ltd	Exmouth Exploration Pty Ltd
WA-420-P	Bonaparte Basin, Offshore Western Australia	100% via Goldsbrough Energy Pty Ltd	Goldsbrough Energy Pty Ltd
WA-407-P	Bonaparte Basin, Offshore Western Australia	100% via Goldsbrough Energy Pty Ltd	Goldsbrough Energy Pty Ltd
WA-54-R	Browse Basin, Offshore Western Australia	18.75% (10.25% via Octanex NL and 8.5% via Cornea Energy Pty Ltd)	Cornea Resources Pty Ltd

Octanex Resource Statement

Economic Interest Contingent Resources (probabilistic, no development risk applied)

	1C		2C		3C	
	Oil (MMBBL)	Gas (TCF)	Oil (MMBBL)	Gas (TCF)	Oil (MMBBL)	Gas (TCF)
Cornea	1.48		5.4		19.11	
Ascalon		1.04		3.01		8.74

Statement of a Qualified Petroleum Reserves and Resources Evaluator

The resources information in this statement is based on, and fairly represents, information and supporting documentation prepared by Mr Tim Morison, a director and principal technician of Abraxas Petroleum Pty Ltd. Abraxas Petroleum Pty Ltd is a geological interpretation consultancy based in Vienna, Austria. Mr Morison has been a consultant to Octanex since 2007 and has sufficient experience to compile that information as a Qualified Petroleum Reserves and Resources Evaluator.

The resources information in Octanex's 2015 annual report has been issued with the prior written consent of Mr Morison in the form and context in which it appears.

Mr Morison is a graduate of the University of Adelaide and holds a Bachelor of Science, majoring in Geology & Geophysics. He has over 35 years international and Australasian exploration and development

experience in the oil and gas industry, including over 33 years estimating reserves and resources. Mr Morison is a member of the American Association of Petroleum Geologists (AAPG), Petroleum Exploration Society of Australia (PESA), Formation Evaluation Society of Australia (FESAus) (ex President), Petroleum Exploration Society of Great Britain (PESGB) and European Association of Geoscientists and Engineers (EAGE).

Shareholder Information

Compiled as at 11 September 2015

1. Ordinary share capital

As at 11 September 2015 the company had on issue the following shares:

Fully Paid Ordinary Shares	Partly Paid Ordinary Shares	Trustee Shares
192,265,561 held by 1,403 shareholders	74,278,910 held by 363 shareholders	33,000,000 held by Doravale Enterprises Pty Ltd (the Trustee) ¹
All issued fully paid ordinary shares carry one vote per share	For each partly paid share, only the fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable on the share (excluding amounts credited)	Other than in extremely limited circumstances, the Trustee has bound itself by the deed of covenant entered into in association with the Scheme not to vote at the meetings of members of Octanex.

2. Options

As at 11 September 2015 the company had on issue 15,100,000 options held by 16 option holders. Options do not carry any voting right or rights to dividends.

3. Distribution of holders

Holding as at 11 September 2015	Number of Holders of			Options
	Fully paid ordinary shares	Partly paid ordinary shares	Trustee Shares	
1-1,000	165	54	-	-
1,001-5,000	660	62	-	-
5,001-10,000	158	45	-	-
10,001-100,000	344	138	-	-
Over 100,001	77	64	1	16
Total	1,404	363	1	16
Number holding less than marketable parcel	1,019	278	-	-

¹ These ordinary shares were issued to the Trustee on trust for sale in accordance with a scheme of arrangement approved by the Supreme Court of Victoria on 17 November 2010 in Matter SCI 210 04962 (the Scheme). As previously advised to the ASX and to members, those shares are ordinary shares held on trust for sale by the trustee on the basis that the net proceeds of sale will present the subsection moneys thereof. The shares may be sold as fully paid up or as partly paid up. Until sold, by the terms of the Scheme, the Trustee will not participate in dividends or distributions are to the account of the members of Octanex pro rata their respective shareholdings.

4. Substantial shareholders

Substantial shareholders as disclosed in substantial shareholding notices given to the Company are as follows:

Shareholder	Interest in number of shares	% of Shares
The Albers Group	147,938,046	54.83
Sabah International Petroleum	40,332,663	14.95

5. Twenty largest shareholders as at 11 September 2015**Fully paid ordinary shares**

Holder	Fully paid ordinary shares	% of Fully Paid Shares
Sabah International Petroleum Ltd	40,332,663	20.98
Gascorp Australia Pty Ltd	30,926,968	16.09
Mr Ernest Geoffrey Albers & Mrs Pamela Joy Albers	21,093,399	10.97
Sacrosanct Pty Ltd	12,050,960	6.27
Mr Ernest Geoffrey Albers	8,837,858	4.60
Great Missenden Holdings Pty Ltd	6,918,568	3.60
Great Australia Corporation Pty Ltd	5,265,000	2.74
Bass Strait Group Pty Ltd	4,033,058	2.10
The Albers Companies Incorporated Pty Ltd	3,780,491	1.97
Fugro Exploration Pty Ltd	3,691,721	1.92
Cue Petroleum Pty Ltd	3,511,634	1.83
Auralandia Pty Ltd	3,152,603	1.64
Mrs Pamela Joy Albers	3,062,500	1.59
Australis Finance Pty Ltd	3,046,250	1.58
Great Missenden Group Pty Ltd	2,765,060	1.44
Sequest Petroleum Pty Ltd	2,248,000	1.17
Albers Family Custodian Pty Ltd	2,152,500	1.12
Appledore Superannuation Pty Ltd	2,125,010	1.11
Wilstermere Corporation Pty Ltd	1,760,000	0.92
Australian Natural Gas Pty Ltd	1,650,000	0.86
Total	162,404,243	84.47

Partly paid ordinary shares

Holder	Partly paid ordinary shares	% of Partly Paid Shares
Great Missenden Holdings Pty Ltd	10,045,726	13.52
Mr Ernest Geoffrey Albers & Mrs Pamela Joy Albers	7,957,724	10.71
Gascorp Australia Pty Ltd	7,121,742	9.59
Bass Strait Group Pty Ltd	4,958,264	6.68
Sacrosanct Pty Ltd	3,975,201	5.35
Cue Petroleum Pty Ltd	3,752,871	5.05
Great Missenden Group Pty Ltd	2,891,265	3.89
Auralandia Pty Ltd	2,097,335	2.82
Mr Ernest Geoffrey Albers	2,025,420	2.73
Great Australia Corporation Pty Ltd	1,710,000	2.3
The Albers Companies Incorporated Pty Ltd	1,505,122	2.03
Troca Enterprises Pty Ltd	1,504,750	2.03
Australis Finance Pty Ltd	1,211,562	1.63
Appledore Superannuation Pty Ltd	1,157,502	1.56
Mr Neil Clifford Abbott & Gellert Ivanson Trustee Ltd	958,960	1.29
Sequest Petroleum Pty Ltd	809,500	1.09
Mrs Pamela Joy Albers	765,625	1.03
Rivermore Pty Limited	747,873	1.01
Albers Family Custodian Pty Ltd	650,625	0.88
Mr David Hugo Rankin	612,259	0.82
Total	56,459,326	76.01

Trustee ordinary shares

Holder	Fully paid ordinary shares	% of Trustee Shares
Doravale Enterprise Pty Ltd	33,000,000	100

Glossary

ASX	Australian Securities Exchange
AUD/A\$	Australian currency
Bbl(s)	Barrel(s), an oil barrel is equivalent to 0.159 cubic metres
BCF	One billion cubic feet of natural gas
BOE	Barrel of oil equivalent. The factor used to convert gas to oil equivalent is based upon an approximate energy value of 6,000 cubic feet per barrel and not price equivalence at the time
BOPD	Barrel of oil per day
Contingent resources	Quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies
Economic interest	The working interest share of production which is adjusted for production that is delivered to host governments under the petroleum contracts
FDP	Field Development Plan
Group	Parent entity and its subsidiaries
GST	Goods and services tax
IFRS	International Financial Reporting Standards
MMBBL	One million barrels
MMBOE	One million barrels of oil equivalent
MMCFD	One million standard cubic feet of natural gas per day
Octanex or company	Octanex NL and includes, where the context requires, its subsidiaries
PRMS	Petroleum Resources Management System
RSC	Risk Service Contract
TCF	One trillion cubic feet of natural gas
SPE	Society of Petroleum Engineers
USD/US\$	United States currency
WI%	Working Interest Percentage

Directory

Board of directors

Mr Geoffrey Albers

Chairman & Chief Executive Officer

Mrs Raewyn Clark

Executive Director

Mr David Coombes

Independent Director

Mr Guistino Guglielmo

Independent Director

Datuk Kevin Kow How

Non-executive Director

Ms Suhnylla Kler

Non-executive Director

Mr James Willis

Independent Director

Company Secretaries

Mr Robert Wright

Mr John Tuohy

Share Registry

Link Market Service Limited

Level 1, 333 Collins Street,

Melbourne, Victoria 3000

61 (03) 9615 9947

Auditor

Grant Thornton Audit Pty Ltd

Level 30, 525 Collins Street

Melbourne, Victoria 3000 Australia

Stock Exchange

ASX Limited

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OXXCB Partly Paid

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