



ABN 61 005 632 315

**HALF YEAR FINANCIAL REPORT**

**31 DECEMBER 2015**

## Contents

DIRECTORY.....	2
DIRECTORS' REPORT .....	3
DIRECTORS' DECLARATION .....	11
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	12
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	13
CONSOLIDATED STATEMENT OF CASH FLOWS.....	14
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	15
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....	17
AUDITOR'S INDEPENDENCE DECLARATION .....	22
INDEPENDENT AUDITOR'S REVIEW REPORT .....	23

## **DIRECTORY**

### **BOARD OF DIRECTORS**

E.G. Albers (Chairman)  
R.L. Clark  
J.M.D. Willis  
D.C. Coombes  
G Guglielmo  
S Kler  
K How Kow

### **COMPANY SECRETARIES**

J.G. Tuohy  
R.J. Wright

### **REGISTERED OFFICE**

Level 21,  
500 Collins Street,  
Melbourne, Victoria 3000

Telephone: +61 (0)3 8610 4702  
Facsimile: +61 (0)3 8610 4799  
E-mail: [admin@octanex.com.au](mailto:admin@octanex.com.au)  
Website: [www.octanex.com.au](http://www.octanex.com.au)

### **AUDITOR**

Grant Thornton Audit Pty Ltd  
Level 30  
525 Collins Street  
Melbourne, Victoria 3000 Australia

### **SHARE REGISTRY**

Link Market Service Limited  
Level 1,  
333 Collins Street,  
Melbourne, Victoria 3000  
Telephone: +61 (0)3 9615 9947  
Facsimile: +61 (0)3 9633 8495  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### **INCORPORATED**

Incorporated in Victoria on 13 March 1980

### **STOCK EXCHANGE LISTING**

ASX Ltd  
Level 4, North Tower, Rialto  
525 Collins Street  
Melbourne Victoria 3000

ASX Codes:  
OXX Ordinary Shares – Fully Paid  
OXXCB Ordinary Shares – Partly Paid

### **CURRENCY**

The company's functional and presentation currency is Australian Dollars

### **FORWARD LOOKING STATEMENTS**

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

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

## DIRECTORS' REPORT

The directors of Octanex N.L. (**Octanex** or **the company**) submit their report on the consolidated results of the company and its wholly-owned subsidiaries (**controlled entities**) or (**the group**) for the half year ended 31 December 2015.

### Directors

The names of the company's directors in office during the half year and until the date of this report are as follows:

*E Geoffrey Albers – Executive Chairman and Chief Executive Officer*  
*Raewyn Clark – Executive Director and Chief Executive Officer*  
*James Willis – Independent Director*  
*Giustino Guglielmo – Independent Director*  
*David Coombes – Independent Director*  
*Suhnylla Kler – Non-Executive Director*  
*Kevin How Kow – Non-Executive Director*

### Financial Results for the half year

The consolidated entity, being the company and its controlled entities, recorded a consolidated loss for the year of \$1,172,430 (31/12/2014: loss of \$4,066,853).

### Dividends

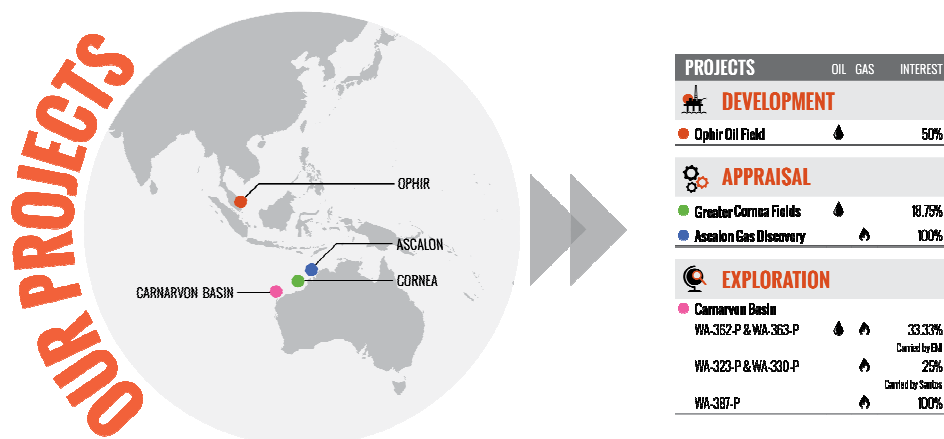
No dividend was declared or paid during the half year.

## OCTANEX STRATEGY

Octanex is seeking to increase its exposure to production and development assets while moderating exploration activities.

Octanex has a 50% interest in the Ophir oil field development, offshore Malaysia. Octanex also has interests in two appraisal assets held under Retention Lease or the subject of Retention Lease application; the Cornea oil field and the Ascalon gas discovery, both offshore Western Australia.

Octanex's exploration interests cover five offshore permits in Western Australia. Octanex's exploration strategy is focussed on upgrading prospective acreage through geological and geophysical work with the intention of attracting international companies as farminees. Successful farm outs have resulted in Octanex being partnered with world-class operators in four of its six exploration permits.



## ASSETS AND ACTIVITIES OVERVIEW

### DEVELOPMENT ASSET

#### Ophir Oil Field, Malaysia, 50% Interest

Octanex has a 50% interest in the development of the Ophir oil field offshore Peninsular Malaysia.

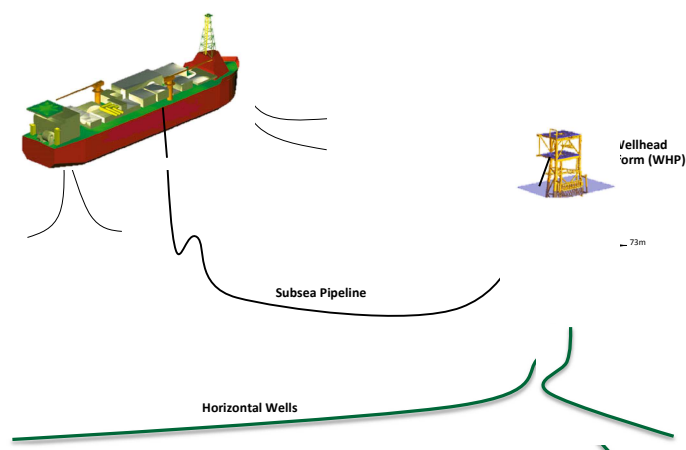
The Ophir development benefits from the current reduced industry costs and utilizes a low risk development concept involving three production wells, a single wellhead platform and export via floating vessel.

The Ophir field is being developed by Ophir Production Sdn Bhd (OPSB), under a Risk Service Contract (RSC).

In late 2015 a contract was awarded for the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) of a Wellhead Platform to Muhibbah Engineering (M) Bhd (Muhibbah).

The contract award followed a successful tender by Muhibbah, a large engineering company listed on Bursa Malaysia (the Malaysian Stock Exchange), with a track record of platform construction and installation.

The Ophir platform is being fabricated at the Muhibbah yard at Klang approximately 40km south west of Kuala Lumpur.



A drilling rig market survey has been conducted in preparation for the drilling rig tender, with downward price pressure reflected in the survey responses.

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, which is wholly owned by Sabah Development Bank Berhad ("SDB"). SDB itself is wholly owned by the Ministry of Finance of the Malaysian state of Sabah.

## APPRAISAL ASSETS

### Greater Cornea Fields, Browse Basin, 18.75% interest

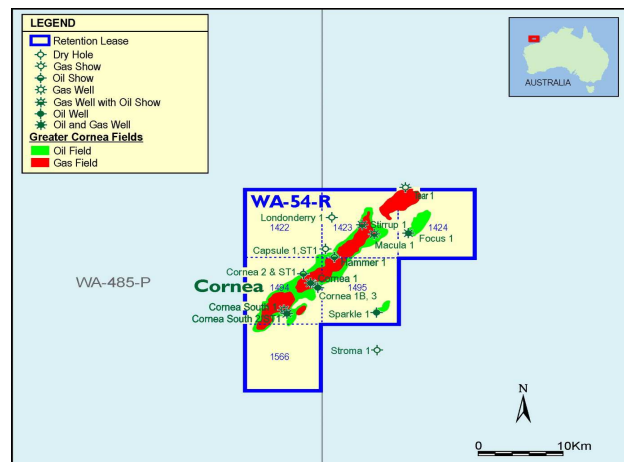


Figure 1 Greater Cornea Field Retention Lease Location Map

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 which covers 6 graticular blocks, amounting to an area of 497km<sup>2</sup>.

Cornea is perhaps Australia's largest undeveloped oil field. The oil volumes in the Greater Cornea Fields are such that, provided threshold production flow rates can be demonstrated, and also dependent on oil price, the economics should be attractive and provide a reasonable expectation of commercial development.

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 (mmbbl)	7.9	28.8	101.9
Octanex 18.75% Interest	1.48	5.40	19.11

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

### Work Program

The work program is aimed at overcoming technical challenges likely to be faced in bringing the Greater Cornea Fields into commercial production.

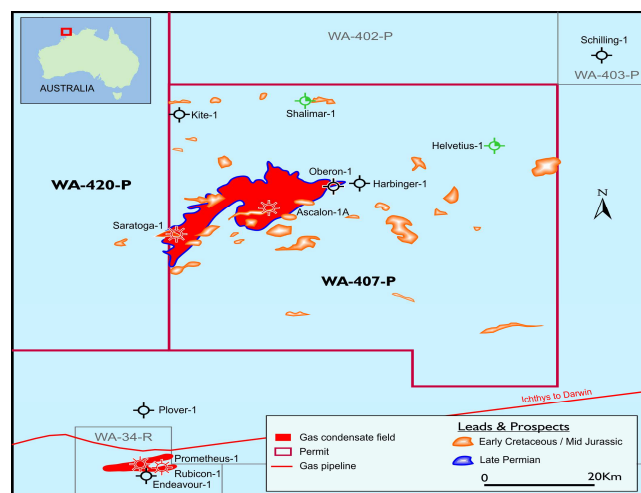
Initial field design studies have been undertaken with the following design objectives:

- Keep infrastructure simple and highly cost effective
- Minimize capital investment until economics and production capacity proven
- Scalability for progressive development.

Current activities include continuing field development studies, economic studies (including oil price sensitivity) and assessment of technology, hardware and infrastructure.

## Ascalon Gas Discovery, Bonaparte Basin

### 100% interest



**Figure 2 Ascalon Gas Accumulation Location Map**

Discovered in 1995 by Mobil, the Ascalon gas accumulation is located mostly within exploration permit WA-407-P and extending into the adjacent WA-420-P. The Ascalon Location was extended from the 11 blocks originally declared in relation to WA-407-P with a further Location declared over two graticular blocks contained within WA-420-P. Moreover, Octanex intends to apply for a Retention Lease covering about 1,040 km<sup>2</sup> over the Ascalon gas accumulation.

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 our modern 3D seismic database and newly reprocessed 2D seismic, indicates a closure over an area of more than 260km<sup>2</sup> with a maximum 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 was located down dip 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](#).

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

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

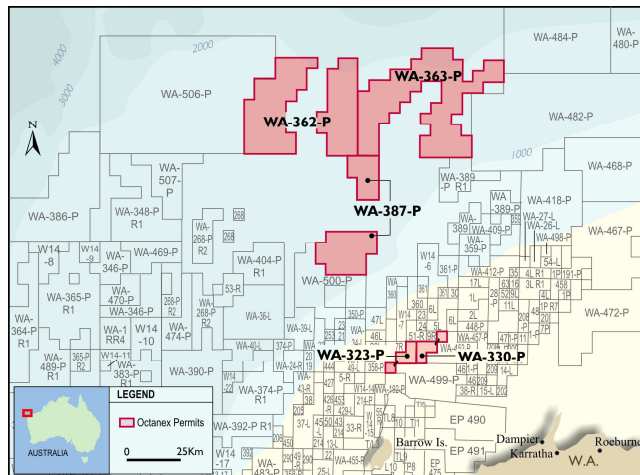
The commerciality of Ascalon is dependent on gas market factors; both gas market demand, and pricing, as well as access to market. Located offshore from northern Australia, the most obvious market for Ascalon's gas is LNG, which would necessitate access to pipeline and LNG infrastructure. The P50 estimate of the contingent resource at Ascalon is 3 TCF of natural gas. At current LNG gas prices, economics do not support a standalone LNG development.

Ascalon is located in proximity to a number of gas discoveries, some of which may be commercialised in coming years, including the Petrel, Tern, Prometheus and Rubicon discoveries. The development of those and other nearby gas discoveries can be expected to provide opportunities for Ascalon to be developed to tie-back to another development. It is also located in close proximity to the Icythys pipeline to the Inpex LNG facility, under development in Darwin.

No further appraisal drilling or similar work is to be undertaken at this time. Octanex is preparing an application for a Retention Lease by which it would be able to retain the acreage until access to LNG market develops.

## EXPLORATION ASSETS

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.



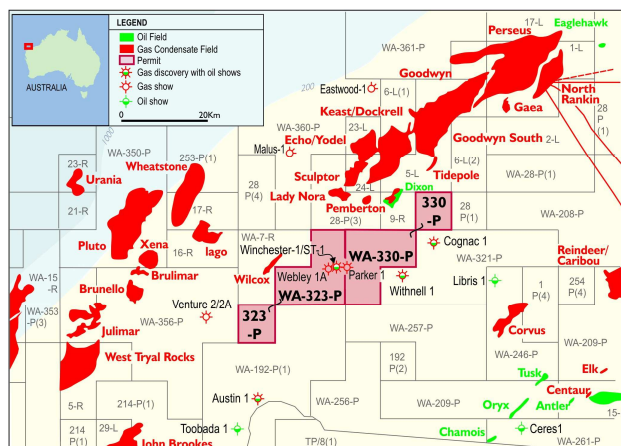
**Figure 3 Octanex Carnarvon Basin Interests**

## Dampier Sub-Basin

### WA-323-P & WA-330-P, 25% interest, Operated by Santos

WA-323-P and WA-330-P comprise a discrete project area of 640 km<sup>2</sup> 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. By itself, the estimated size of the Winchester discovery, is considered to be insufficient to be developed economically without further contributions to the discovered resource from possible deeper or adjacent hydrocarbon zones to the Winchester location. The Winchester discovery is located near existing pipeline and processing infrastructure and likely future infrastructure extensions.

In WA-330-P there is further prospectivity in the Parker tilted fault block where the Parker-1/ST1 well, 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.



**Figure 4 WA-323-P & WA-330-P and Winchester-1/ST1 Location Map**

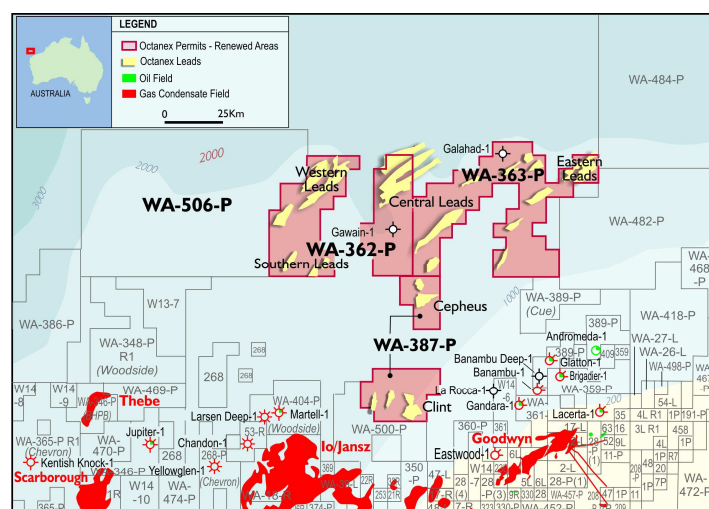


During the half-year, the reprocessed data from the 720 km<sup>2</sup> Winchester 3D seismic survey was received and interpretation commenced by the operator. The data was reprocessed with the purpose of obtaining better resolution and definition of Triassic and Jurassic targets within both of the permits. A large Triassic prospect remains untested below the TD of the Winchester-1/ST1 well within the Winchester structure and AVO supported Triassic leads also 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.

Octanex is carried by Santos though all exploration activity in the current term of each permit.

## Exmouth Plateau interests

Octanex has interests in three permits in the Exmouth Plateau as shown In [Figure 5](#).



**Figure 5 Exmouth Plateau Permits**

## WA-362-P & WA-363-P, 33.33% interest, operated by Eni

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 km<sup>2</sup>. 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. Eni is the Operator of both permits.

The Operator's exploration focus in these permits has expanded from a pure gas play in the Upper Mungaroo to include investigation of an early—Middle Triassic oil play within the deeper Mungaroo.

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.

## 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/lo 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.

## **New Zealand Exploration Interest**

### **Withdrawal from PEP51906**

Following completion of the acquisition, processing and interpretation phase of the Kaka 3D seismic data, Octanex determined that the seismic survey had not produced any further information or leads other than the previously identified features which Octanex had long recognized, prior to the acquisition of the Kaka 3D survey.

Octanex made the assessment that our strategy of farmout following the shooting, processing and interpretation of the Kaka 3D was bound to be ineffectual in this Permit. Taking this into account, our view of prospectivity and considering Octanex's capital raising ability and oil price projections, the decision was made to withdraw from PEP51906 before Permit year end, 18 November 2015. Accordingly, Octanex provided notice of withdrawal to the Joint Venture with effect from 31 October 2015.

## **CORPORATE MATTERS**

During the half year Octanex entered into an agreement with Peak Oil & Gas Ltd (now Peako Limited) ("Peako") whereby Octanex agreed to accept a proceeds sharing arrangement as satisfaction of the Peako loan of \$1,284,744 (plus interest) made to support Peak's share of costs of 2D seismic acquisition in the South Block A PSC in North Sumatra. Under the agreement Octanex will share proportionately in any proceeds received by Peako in relation to any of its Cadlao (Philippines) interests over the next two years. Octanex presently owns shares in Peako representing 21% of the issued capital of Peako and believes that the conversion of the Loan into a proceeds sharing is a positive practical outcome. The loan had been fully impaired at 30 June 2015.

### **Octanex**

The term "Octanex" is used through this report to refer to Octanex N.L. and its subsidiaries.

## **SUBSEQUENT EVENTS**

On 6 January 2016, the company's share register was updated to reflect that in December 2015 National Gas Australia Pty Ltd (NGA), a company associated with Octanex Chairman Mr Geoffrey Albers made a voluntary payment of the unpaid amount of 10c per share on the partly paid shares paid to 15c, making such shares fully paid.

3,000,000 ordinary fully paid shares were acquired by an entity associated with Octanex director, Mr Guistino Guglielmo, pursuant to the Octanex Trustee Share Scheme in accordance with approval of shareholders in General Meeting on 26 November 2015. The shares were issued on 29 January 2016. Funds for these shares were received in December 2015.

## **AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained an independence declaration as required under section 307C of the Corporations Act 2001 from our auditor, Grant Thornton Audit Pty Ltd, a copy of which is included at page 22.

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'EG Albers', with a stylized flourish at the end.

EG Albers  
Director

Melbourne, 3 March 2016

## **DIRECTORS' DECLARATION**

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

In the opinion of the directors:

- (a) the financial statements of the group, 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 including:
  - (i) giving a true and fair view of the financial position of the group as at 31 December 2015 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) at the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



E.G. Albers  
Director

Melbourne 3 March 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	NOTE	<b>CONSOLIDATED</b>	
		<b>31/12/2015</b>	<b>31/12/2014</b>
		<b>\$</b>	<b>\$</b>
Net foreign exchange gain		307,468	490,688
Other income		38,600	309,530
Consulting		(109,286)	(297,873)
Exploration		(575)	(5,000)
Finance expenses		-	(371,039)
Impairment of exploration assets		(133,116)	(3,328,526)
Impairment of investment in associate		(366,017)	(457,466)
Management fees		(35,000)	(75,000)
Office costs		(117,286)	(354,523)
Other expenses		(255,914)	(269,989)
Project costs		(96,389)	-
Reporting, registry and stock exchange		(35,350)	(45,045)
Salaries		(206,050)	(149,315)
Share of loss in associate		(702,325)	(592,942)
Share based payments		-	(184,522)
Loss before income tax		(1,711,240)	(5,331,022)
Income tax benefit		538,810	1,264,169
Net loss for the half year		(1,172,430)	(4,066,853)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operation		264,656	562,445
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		-	(92,111)
Income tax effect		-	27,633
Other comprehensive income for the half year net of tax		-	(64,478)
Total comprehensive income for the half year		(907,774)	(3,568,886)
		<b>Cents</b>	<b>Cents</b>
		(0.495)	(2.068)
Basic loss per share			
		(0.495)	(2.068)
Diluted loss per share			

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 31 DECEMBER 2015**

	NOTE	CONSOLIDATED 31/12/2015 \$	30/6/2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	4,569,844	5,832,084
Trade and other receivables		400,309	852,380
<b>TOTAL CURRENT ASSETS</b>		<b>4,970,153</b>	<b>6,684,464</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	8	6,157,429	5,420,021
Financial assets at fair value through other comprehensive income		126,830	126,830
Investments in an associate and a joint venture		142,449	260,332
Property, plant and equipment		916	1,832
Exploration and evaluation assets	9	41,129,008	40,974,942
<b>TOTAL NON-CURRENT ASSETS</b>		<b>47,556,632</b>	<b>46,783,957</b>
<b>TOTAL ASSETS</b>		<b>52,526,785</b>	<b>53,468,421</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		736,943	1,257,408
Provisions		130,482	125,068
<b>TOTAL CURRENT LIABILITIES</b>		<b>867,425</b>	<b>1,382,476</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		7,831,676	8,370,487
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,831,676</b>	<b>8,370,487</b>
<b>TOTAL LIABILITIES</b>		<b>8,699,101</b>	<b>9,752,963</b>
<b>NET ASSETS</b>		<b>43,827,684</b>	<b>43,715,458</b>
<b>EQUITY</b>			
Issued capital	11	68,868,339	67,848,339
Reserves		2,561,280	2,296,624
Accumulated losses		(27,601,935)	(26,429,505)
<b>TOTAL EQUITY</b>		<b>43,827,684</b>	<b>43,715,458</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	NOTES	CONSOLIDATED	
		31/12/2015	31/12/2014
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Administration fees received		30,960	217,931
Payments to suppliers - other		(1,454,863)	(1,887,353)
Interest received		2,690	10,382
Net cash outflow from operating activities		(1,421,213)	(1,659,040)
<b>INVESTING ACTIVITIES</b>			
Payments to suppliers - exploration		(154,066)	(571,617)
Loans to related parties		(1,430,328)	(5,342,848)
Repayment of loan by related party		440,000	-
Net cash outflow from investing activities		(1,144,394)	(5,914,465)
<b>FINANCING ACTIVITIES</b>			
Share issue proceeds	11	1,020,000	-
Proceeds from borrowings		-	6,637,990
Share buy back		-	(19,994)
Net cash inflow from financing activities		1,020,000	6,617,996
Net decrease in cash and cash equivalents		(1,545,607)	(955,509)
Effect of exchange fluctuations on cash and cash equivalents		283,367	492,284
Cash assets at the beginning of the half year		5,832,084	8,506,574
Cash assets at the end of the half year		4,569,844	8,043,349

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 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 2015	67,848,339	(26,429,505)	(1,505)	1,350,113	948,016	43,715,458
Loss after tax		(1,172,430)	-	-	-	(1,172,430)
<i>Other comprehensive income</i>						
Exchange differences of translation of foreign operations net of tax	-	-	-	264,656	-	264,656
Total comprehensive income for the year	-	(1,172,430)	-	264,656	-	(907,774)
Transactions with owners in their capacity as owners						
Share issue (Note 11)	1,020,000	-	-	-	-	1,020,000
At 31 December 2015	68,868,339	(27,601,935)	(1,505)	1,614,769	948,016	43,827,684

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 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		(4,066,853)	-	-	-	(4,066,853)
<i>Other comprehensive income</i>						
Exchange differences of translation of foreign operations net of tax	-	-	-	562,445	-	562,445
Changes in fair value on financial assets at fair value through other comprehensive income net of tax	-	-	(64,478)	-	-	(64,478)
Total comprehensive income for the year	-	(4,066,853)	(64,478)	562,445	-	(3,568,886)
Transactions with owners in their capacity as owners						
Share buy back	(19,994)	-	-	-	-	(19,994)
Share-based payments expense	-	-	-	-	184,522	184,522
At 31 December 2014	61,582,965	(18,972,064)	46,854	1,146,621	948,016	44,752,392

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**NOTE 1 CORPORATE INFORMATION**

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 half year ended 31 December 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.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

The half year financial report should be read in conjunction with the Annual Financial Report of Octanex NL as at 30 June 2015.

It is also recommended that the half year financial report be considered together with any public announcements made by Octanex NL and its controlled entities during the half year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the Listing Rules of the ASX.

**(a) Basis of preparation**

These general purpose financial statements for the half year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

The half year financial report has been prepared on an historical cost basis less impairment losses, except for financial assets at fair value through other comprehensive income that are measured at fair value. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

**(b) Summary of significant accounting policies**

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2015.

**(c) Accounting estimates and judgements**

Management has assessed recoverability of the advance to Ophir Production Sdn Bhd (“OPSB”) and has decided its carrying value to be appropriate (Refer Note 8). In determining the recoverable amount management have made assumptions 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..

**(d) New and revised accounting standards applicable for the first time to the current half-year reporting period**

The group has adopted all new and revised Australian Accounting Standards and Interpretations that became effective for the first time and are relevant to the group. The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the group’s accounting policies or the amounts reported during the current half-year period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**NOTE 3 SEGMENT INFORMATION**

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 with 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.

**NOTE 4 EXPLORATION EXPENDITURE COMMITMENTS**

	<b>CONSOLIDATED</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>\$</b>	<b>\$</b>
The group's estimated expenditure to satisfy contractual and/or permit work requirements:		
Not later than 1 year	116,406	683,157
Payable later than one year but not later than three years	<u>1,758,594</u>	<u>1,743,750</u>
	<u>1,875,000</u>	<u>2,426,907</u>

**NOTE 5 IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS**

Residual exploration costs of \$133,116 mainly relating to PEP 51906, which was fully impaired at 30 June 2015, were incurred and written off during the six months to 31 December 2015.

	<b>CONSOLIDATED</b>	
	<b>31/12/2015</b>	<b>30/06/2015</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 6 CASH</b>		
Cash at bank and on hand	4,569,844	5,832,084
Bank deposits at call	<u>-</u>	<u>-</u>
	<u>4,569,844</u>	<u>5,832,084</u>

Cash at bank and on hand includes \$3,788,768 held with the OCBC Bank in Singapore (2015: \$5,023,806). 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.

**NOTE 7 EVENTS SUBSEQUENT TO BALANCE DATE**

On 6 January 2016, the company's share register was updated to reflect that in December 2015 National Gas Australia Pty Ltd (NGA), a company associated with Octanex Chairman Mr Geoffrey Albers made a voluntary payment of the unpaid amount of 10c per share on the partly paid shares (previously paid to 15c) making such shares fully paid (Note 11).

3,000,000 ordinary fully paid shares were acquired an entity associated with Octanex director Mr Guistino Guglielmo pursuant to the Octanex Trustee Share Scheme in accordance with approval of shareholders in general meeting on 26 November 2015. The shares were issued on 29 January 2016. Funds for these shares were received in December 2015 (Note 11).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

<b>CONSOLIDATED</b>	
<b>31/12/2015</b>	<b>30/06/2015</b>
<b>\$</b>	<b>\$</b>

**NOTE 8 LOANS RECEIVABLE – NON CURRENT**

Loans receivable	<u>6,157,429</u>	<u>5,420,021</u>
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Advance to Ophir Production Sdn Bhd

During the half year ended 31 December 2015, the company advanced Ophir Production Sdn Bhd \$1,687,867 (June 2015 \$5,699,335). Share of equity accounted loss required by accounting standards during the half year ended 31 December 2015 to be applied to the advance was \$940,459 (June 2015 \$279,314). The funds have not been repaid at 31 December 2015 and are expected to be recovered in the form of dividends from production from the development of the Ophir oil field.

<b>CONSOLIDATED</b>	
<b>31/12/2015</b>	<b>30/06/2015</b>
<b>\$</b>	<b>\$</b>

**NOTE 9 EXPLORATION AND EVALUATION ASSETS**

Carrying balance at beginning of the period	40,974,942	48,842,991
Impairment of exploration assets (Note 5)	(133,116)	(8,487,470)
Costs recovered	-	(350,000)
Revaluation of NZD exploration and evaluation assets*	-	(156,885)
Costs incurred during the period	<u>287,182</u>	<u>1,126,306</u>
Carrying balance at end of the period	<u>41,149,008</u>	<u>40,974,942</u>

\* Exchange rate adjustment

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

<b>31/12/2015</b>	<b>30/06/2015</b>
<b>Permits</b>	<b>Permits</b>
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-387-P	WA-387-P
WA-407-P	WA-407-P
WA-420-P	WA-420-P
<b>Retention Lease</b>	<b>Retention Lease</b>
WA-54-R	WA-54-R

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**NOTE 10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

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 31 December 2015 and 30 June 2014 on a recurring basis are as follows:

31 December 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	69,085	-	57,745	126,830
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	69,085	-	57,745	126,830

*Measurement of fair value of financial instruments*

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Listed securities, debentures and money market funds

Fair values have been determined by reference to their quoted bid prices at the reporting date.

The consolidated entity's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The consolidated entity did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2015.

The carrying amounts of cash and cash equivalents, current receivables and current payables are considered to be a reasonable approximation of their fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**NOTE 11 ISSUED CAPITAL**

*Payment on partly paid shares*

In December 2015 National Gas Australia Pty Ltd (NGA) made a voluntary payment of the unpaid amount of 10c per share on the partly paid shares (previously paid to 15c) bringing the amount paid on each share to 25c and making such shares fully paid. On 6 January 2016, the company's share register was updated to reflect this share issue (Note 7).

*Payment on fully paid shares*

In December 2015 funds of \$300,000 were received by the company for 3,000,000 ordinary fully paid shares that were acquired pursuant to the Octanex Trustee Share Scheme. The shares were issued on 29 January 2016 (Note 7).

**NOTE 12 CONTINGENT LIABILITY**

*Performance Guarantee*

Octanex has provided a proportionate corporate undertaking to PETRONAS for the contract performance obligations of OPSB in relation to the Ophir RSC.

*Corporate Guarantee*

Octanex has provided a proportionate corporate guarantee to OPSB's lenders in connection with OPSB's term loan facilities. The facilities are held with a syndicate of three banks (Malayan Banking Berhad (Maybank), RHB Bank (L) Ltd and United Overseas Bank Limited Offer) for 75% of the planned capital expenditure for the development of the Ophir Oil Field as well as 75% of the first three quarters of the planned operating expenditure, and a bank guarantee in favour of PETRONAS.

**NOTE 13 CONTINGENT ASSET**

*Peako Limited Loan – Proceeds Sharing Agreement*

In lieu of the balance of monies of \$1,284,744 owing on the Peako Limited ("Peak") loan, Octanex has agreed to accept a proceeds sharing arrangement with Peako whereby Octanex will share proportionately in any proceeds received by Peako in relation to any of its Cadlao interests in the period to 26 November 2017 up to a limit of \$1,603,683. The loan was fully impaired at 30 June 2015.

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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 review of Octanex N.L. for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Adrian Nathanielsz  
Partner – Audit & Assurance

Melbourne, 3 March 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## **Independent Auditor's Review Report**

### **To the Members of Octanex N.L.**

We have reviewed the accompanying half-year financial report of Octanex N.L. ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

The directors of Octanex N.L. are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Octanex N.L. consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Octanex N.L., ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

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

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Octanex N.L. is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Adrian Nathanielsz  
Partner – Audit & Assurance

Melbourne, 3 March 2016