OCTANEX LIMITED

ABN 61 005 632 315

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2018

CORPORATE DIRECTORY

Directors

Mr Geoffrey Albers
Chairman & Chief Executive Officer

Ms Raewyn Clark
Executive Director

Datuk Kevin Kow How
Non-Executive Director

Mr James Willis
Independent Non-Executive Director

Company Secretary

Mr Robert Wright

Registered Office

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Melbourne, Victoria 3000, Australia
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Facsimile: +61 (03) 8610 4799
E-mail: admin@octanex.com.au

Auditor

Grant Thornton Audit Pty Ltd
GPO Box 4736
Melbourne, Victoria 3001 Australia

Website: www.octanex.com.au

Share Registry

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Level 3, 50 Holt Street
Surry Hills, NSW 2010, Australia
Telephone: 1300 288 664 (within Australia)
Telephone: +61 (2) 9698 5414 (outside Australia)
Website: www.automic.com.au

Stock Exchange
ASX Limited
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525 Collins Street,
Melbourne Victoria 3000 Australia
ASX Code: OXX

Incorporated in Victoria on 13 March 1980

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Chairman's Letter

Dear Shareholders,

2017/18 evolved into a most difficult and disappointing year. A major focus for the year was on the Ophir field development where we held a 50% participating joint venture interest through Ophir Production Sdn Bhd (OPSB), the joint venture contractor to PETRONAS for the Ophir development. We commenced the year anticipating production from the Ophir field. The Ophir development was successfully completed (subsurface, wells, facilities, and production operations) on time and significantly under-budget, through the most challenging oil price environment. However, contrary to our expectations, production was short-lived, with the development thus proving to be uneconomic.

The Ophir field had been promoted by PETRONAS as a discovered oil field and offered by PETRONAS under Malaysia's Risk Service Contract (RSC) regime on the basis of a guaranteed return of the contractor's capital and operating costs, together with incentive-based remuneration linked to time, capital cost and production performance. As a result of the fall in oil price, PETRONAS twice adjusted the development timetable, with the time incentive then removed. The RSC contractor's ability to achieve any income was reliant upon the fulfillment of the performance indicators. PETRONAS' undertaking to reimburse operating and capital costs, irrespective of the availability of revenue, went hand-in-hand with the contractor accepting a performance-only based remuneration. This risk/reward principle with regard to the contractor's reimbursement and remuneration is a fundamental tenet of the RSC.

Key achievements of the Ophir development included:

- Zero Lost Time Incidents incurred over 1.5 million hours (facilities and drilling);
- 45% capex saving against initial field development plan (US$74.9M vs US$135M) setting the benchmark for low cost development offshore Peninsular Malaysia;
- FPSO facilities daily OPEX rate 25% below agreed budget and one of the lowest in the world (US$31.7k/day);
- First Suction Pile Technology platform offshore Peninsular Malaysia - installed and welded out in 72 hrs, thereby significantly reducing offshore costs and risks, and.
- Malaysian content exceeding 99%

Octanex had intended its 50% participation in OPSB to be a country-entry. Our lack of success at leveraging from these achievements to secure additional projects from PETRONAS has compounded the disappointing result of the Ophir development.

Upon the field meeting the contractual "economic cut-off" criteria, termination of the RSC was effected by OPSB. Negotiations between OPSB and PETRONAS are still underway in respect to handover to PETRONAS, which arrangements are clearly described in the contract. Such arrangements include keeping Ophir whole in respect to operating and capital costs for the development and the assumption by PETRONAS, by way of novation, of any contracts entered into by OPSB in relation to the project.

Octanex largely facilitated its capital contributions to OPSB through a Sabah International Petroleum Ltd (SIP) Convertible Note facility. Octanex's ability to repay SIP (assuming that SIP seek to redeem rather than convert the Notes), is linked to the outcome of negotiations with PETRONAS, not only with respect to the costs to be reimbursed, but also the novation to PETRONAS of outstanding contracts. Octanex is working closely with OPSB and SIP in an effort to bring about a resolution of these matters.

During the year we divested a number of exploration permits. In January Octanex joined with Eni Australia Limited in withdrawing from WA-362-P and WA-363-P. In June the Winchester Joint Venture (Santos 75% / Octanex 25%) applied for consent to surrender WA-330-P and also decided not to lodge the earlier anticipated application for Retention Lease in respect of the Winchester gas discovery in WA-323-P. The permit, which was in year 5 and not eligible for a further renewal, has therefore expired.

We are continuing evaluation activities in relation to our 100% interest in the Ascalon gas field, held via two exploration permits, particularly focusing on leveraging learnings from southern North Sea Permian tight gas discoveries that have been developed through offshore stimulation in recent years.

The Cornea Retention Lease was granted in 2014 following the significant new information gained from the Cornea – 3 well in which Octanex actively participated. The work program was formulated to address technical challenges to development; with the ability to achieve threshold production identified as the key barrier to commercialisation of Cornea and a production test well, designed to achieve such economic production, as a key means of moving Cornea towards development.

The parameters of a Cornea production test well have changed considerably since the Retention Lease was granted as a result of the reduced oil price environment. The Cornea Joint Venture has accordingly applied to the authorities to vary the conditions of WA-54-R work programme.

During the year David Coombes, Tino Guglielmo and Suhnylla Kler resigned from the board of Octanex, and Jack Tuohy resigned as a secretary. I thank each of them for their service.

I extend my thanks to Sabah International Petroleum for their support of Octanex and the Ophir project, as well as to our staff and contractors. I thank my co-directors and shareholders for their ongoing support of Octanex.

E.G. Albers
Chairman
27 September 2018

Operational Review

Ophir Oil Development Project, Malaysia

The Ophir field was developed by Ophir Production Sdn Bhd (OPSB) under a Risk Service Contract (RSC), entered into by OPSB as Contractor, with PETRONAS, the resource owner, as Principal. Octanex holds a 50% shareholding interest in OPSB.

Production from the Ophir field commenced and ended during the year, with the development proving not to be economic. On 6 June 2018 OPSB exercised its right to terminate the RSC, providing PETRONAS with 90 days written Notice of Termination.

RSC Termination matters are presently being negotiated by OPSB with PETRONAS. The RSC provides that following Termination, PETRONAS shall assume responsibility for the field, accept novation of contracts and reimburse to OPSB capital and operating costs met by OPSB and not previously reimbursed.

OPSB funded the Ophir development via syndicated term loan facilities (Project Financing Facilities), with the balance of expenditure funded by OPSB's shareholders in proportion to their equity interest in OPSB (50% in Octanex's case).

Octanex's contributions to OPSB were largely funded by a Convertible Note facility (drawn to US$8Million) with Sabah International Petroleum (SIP). It was structured for the purpose of meeting Octanex's contributions to OPSB and for working capital requirements.

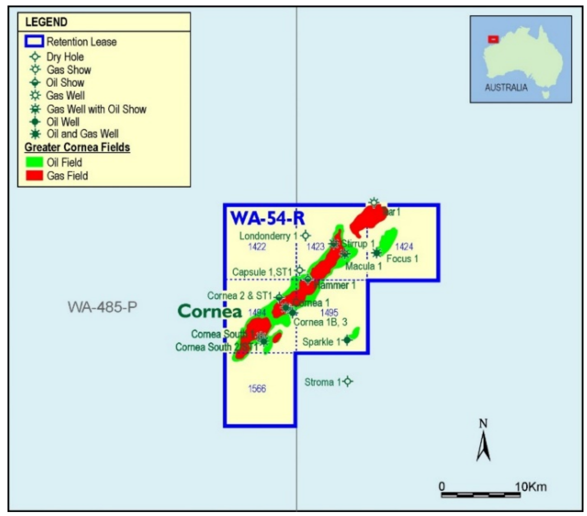
Advances made to OPSB by Octanex and other OPSB shareholders are subordinated to OPSB's Project Financing Facilities. As a result, payments from OPSB to Octanex can only follow repayment of OPSB's Project Financing Facilities.

The amounts to be repaid by OPSB to Octanex will be required to enable the redemption of the SIP Convertible Note facility, unless SIP elects to convert the Convertible Notes into Octanex shares (the drawn facility is comprised of two equal tranches of convertible notes, with conversion prices of $0.15 and $0.20).

Octanex does not anticipate that it will achieve a surplus of funds following a full redemption of the SIP Convertible Note facility.

Greater Cornea Fields, Browse Basin

Octanex has an 18.75% interest in the Greater Cornea Fields (being the Cornea, Focus and Sparkle Oil Fields and the Cornea North (Tear) Gas Field), located in the Browse Basin and held via a Retention Lease (WA- 54-R).



Greater Cornea Field retention lease location map

The Greater Cornea Fields present a large in-place oil resource contained in a challenging reservoir. At the time the Retention Lease was applied for and granted, production uncertainty was identified as the primary constraint to development. A successful production test well designed to demonstrate threshold productivity for development initiation is required to commercialise Cornea.

Given the favourable prevailing oil price when the Retention Lease was applied for (October 2013), numerous field development concepts were then considered to be potentially economic (subject to achieving threshold production volumes) and assuming sufficient recoveries.

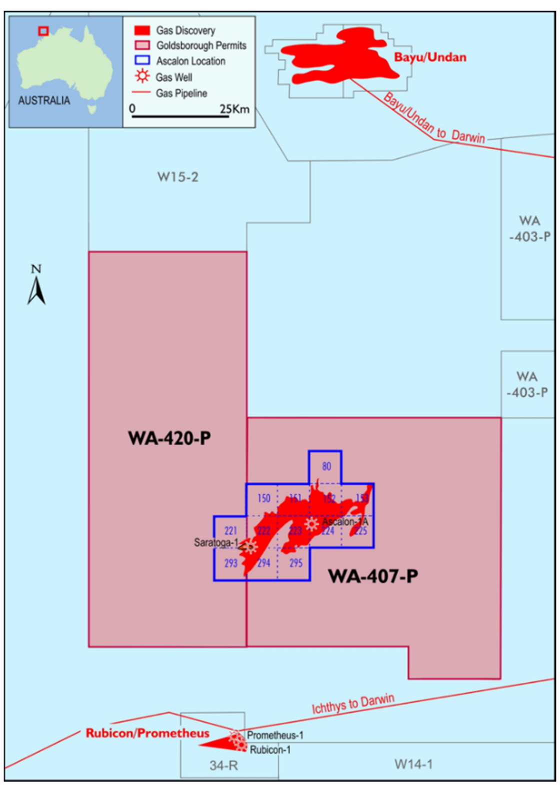
However, the current oil price environment presents a significant challenge to the Cornea field's commerciality, having rendered as non-viable the field development concepts previously considered as potentially viable.

Reflecting our markedly reduced oil price expectations, new development concept screening has been undertaken with the objective of identifying a development concept with the potential to be commercial at current oil prices.

Following this screening, a development concept predicated on the use of a Mobile Offshore Production Unit (MOPU) with a subsea holding tank and single point mooring has been selected for further investigation. This concept is significantly different to earlier concepts, with potential for significant cost reductions.

Integrated reservoir modelling work was undertaken during the year to support design of a production test well capable of delivering threshold productivity using this development concept. The Cornea Joint Venture has applied to vary the conditions of WA-54-R to facilitate this work.

Ascalon Gas, Bonaparte Basin

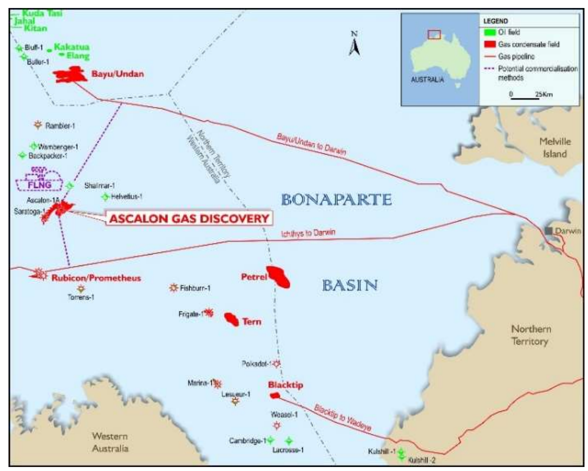


Ascalon gas accumulation location map

The Ascalon gas accumulation is located mostly within exploration permit WA-407-P and extends into the adjacent WA-420-P.

Ascalon has an aerial extent of 320 km2, a proven source/charge, trap, seal and a high reservoir pressure (10,500 psi), which is 3,500 psi over normally pressured and may be due to a much deeper closing contour and greater gas in place.

Proximity to existing infrastructure and gas resources, presents several opportunities for the future develop of Ascalon options. Located in shallow water (68 m), wells can be drilled using a jack-up rig while unmanned wellhead platform development options reduce potential CAPEX and OPEX.



Ascalon proximity to gas infrastructure

Ascalon-1A, drilled in 1995 by Mobil encountered 155m TVD gross section in the same Permian formation as Petrel and Tern. However, approximately 60% of the shallower reservoir was not flow tested due to mechanical issues.

Since 2010, a number of Permian tight gas discoveries in the southern North Sea (SNS) have been developed through offshore stimulation. During the financial year, Octanex undertook reservoir studies including stimulation and pore pressure studies with a view to leveraging learnings from SNS tight gas analogues and exploiting Ascalon's apparent high reservoir pressure.

Octanex is seeking a joint venture party to join it in appraising Ascalon.

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Auditor's Independence Declaration

To the Directors of Octanex Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Octanex Limited for the year ended 30 June 2018, 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

B L Taylor
Partner – Audit & Assurance

Melbourne, 27 September 2018

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 became involved in oil exploration in 1977. Mr Albers is a law graduate of the University of Melbourne and has had extensive experience as a director and administrator in corporate law, petroleum exploration and resource sector investment.

Mr Albers founded Octanex Limited and is a substantial shareholder in the company. He is also a director and substantial shareholder in the ASX listed Peako Limited (ASX: PKO) and Enegex Limited (ASX: ENX).

Ms Rae Clark
B.Bus(dist), CA, MAICD, AGIA, ACIS
Executive Director
Appointed 17 October 2014

Ms Clark has more than twenty years experience focussed primarily on the natural resource 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.

Ms Clark was previously Commercial Manager of Octanex. Having commenced her career with Deloitte in 1997, Ms Clark has worked with oil and gas companies since 2005. She is also a Director of Peako Limited (ASX: PKO) and Enegex Limited (ASX: ENX).

Ms Clark holds a Bachelor of Business (with distinction), a Graduate Diploma (ICAA) and Graduate Diploma in Applied Corporate Governance.

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.

Mr James Willis LL.M (Hons), Dip Acc
Independent 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 with New Zealand operations and listed on the TSX Venture exchange.

Mr David Coombes
Appointed 15 May 2012 – resigned 25 May 2018

Mr Tino Guglielmo
Appointed 18 December 2014 –resigned 17 July 2018

Ms Suhnylla Kler
Appointed 18 December 2014 – resigned 18 July 2018

Company Secretary

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 and company secretary of the listed companies, Enegex Limited and Peako Limited. Mr Wright is a member of CPA Australia.

Mr Jack Tuohy BCA, CA – resigned 14 December 2017

Principal Activities

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

Financial Results

The net loss of the consolidated entity for the financial year was $21,501,847 (2017: loss of $4,800,071).

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.

Surrendered and expired exploration interests

In January 2018 Octanex joined with Eni Australia Limited in withdrawing from exploration permits WA-362-P and WA-363-P.

In June 2018 the Winchester Joint Venture (Santos 75% / Octanex 25%) applied for consent to surrender WA-330-P and also decided not to lodge an application for Retention Lease in respect of the Winchester gas discovery in WA-323-P. The Permit, which was in year 5 and not eligible for a further renewal, has therefore expired.

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 there have been no subsequent events.

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.

Directors' Meetings

The following table sets out the number of meetings held during the year and the number of those meetings that were attended by each director. Other matters that required formal Board resolutions were dealt with via written circular resolutions. In addition, the directors met and corresponded at numerous times throughout the financial year to discuss the Group's affairs.

	Board Meetings		Audit Committee Meetings		Nomination & Remuneration Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attende
EG Albers	2	2	2	2		
RL Clark	2	2	2	2		
DC Coombes	2	2	2	2	1	1
G Guglielmo	2	2	2	2	1	1
KK How	2	1	2	-		
S Kler	2	-	2	1	1	-
JMD Willis	2	2	2	2		

Share Capital

Ordinary Shares

The Company's share capital consists of 242,823,840 ordinary fully paid shares (excluding 29,889,107 shares held by the Trustee of the Octanex Trustee Share Scheme).

Trustee Stock Scheme

As at 30 June 2018 and to the date of this report, 29,889,107 ordinary shares, previously issued to the Trustee pursuant to the Scheme, remain unsold. The Trustee does not exercise voting rights in respect of the shares held pursuant to the Scheme.

Unlisted Options

The following options were granted and remained on issue at 30 June 2018 to Octanex directors, staff and other individuals.

Number	Expiry Date	Exercise price	Vesting criteria
6,600,000	15 October 2018	$0.1534	No
7,170,000	24 November 2019	$0.08	No

	2018	2017
Unlisted Options		
Balance at beginning of year	21,270,000	15,100,000
Options granted	-	7,170,000
Options cancelled	-	(1,000,000)
Options expired	(7,500,000)	-
Balance at end of year	13,770,000	21,270,000

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 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.

The facility was established to fund Octanex's contributions to the Ophir development. As at 30 June 2018, and at the date of this report, two tranches aggregating US$8Million have been drawn down under the facility.

The Notes have a maturity date of 30 June 2019 and may be redeemed or converted at SIP's election.

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 11 to 12 and forms part of the Directors' Report for the financial year ended 30 June 2018.

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 two Non-Executive Directors and two Executive Directors. DC Coombes resigned 25 May 2018. G Guglielmo resigned 17 July 2018. S Kler resigned 18 July 2018. All three directors have not been replaced.

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 2018.

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:

E.G. Albers
Director
27 September 2018

Remuneration Report

This Remuneration Report for the year ended 30 June 2018 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 at 30 June 2018 for the purpose of this Remuneration Report:

Executive Directors	
EG Albers	Chairman & Chief Executive Officer
RL Clark	Executive Director & Chief Operating Officer

Non-executive Directors	
JMD Willis	Director
KK How	Director
SK Kler*	Director
G Guglielmo**	Director

* resigned 18 July 2018
** resigned 17 July 2018

David Coombes resigned as a director 25 May 2018

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 $nil was paid or payable (2017: $60,822). Total director remuneration (exclusive of consulting fees which are included at note 21) of $225,570 was paid and payable during the year (2017: $311,043).

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 are disclosed below.

		Short Term		*Post Employment*		*Equity Settled*	*Total*
		Directors Fees	*Salary*	*Super-annuation*	*Retirement Benefits*	*Options*	
		$	*$*	*$*	*$*	*$*	*$*
EG Albers	**2018**	**-**	**-**	**-**	**-**	**-**	**-**
	2017	-	-	-	-	-	-
DC Coombes	**2018**	**-**	**-**	**-**	**-**	**-**	**-**
	2017	-	-	-	-	11,490	11,490
JMD Willis	**2018**	**-**	**-**	**-**	**-**	**-**	**-**
	2017	-	-	-	-	15,611	15,611
RL Clark	**2018**	**-**	**206,000**	**19,570**	**-**	**-**	**225,570**
	2017	-	202,666	19,190	-	28,725	250,581
S K Kler	**2018**	**-**	**-**	**-**	**-**	**-**	**-**
	2017	-	-	-	-	10,990	10,990
K K How	**2018**	**-**	**-**	**-**	**-**	**-**	**-**
	2017	-	-	-	-	10,990	10,990
G Guglielmo	**2018**	**-**	**-**	**-**	**-**	**-**	**-**
	2017	-	-	-	-	11,741	11,741
TOTAL	**2018**	-	**206,000**	**19,570**	-	**-**	**225,570**
	2017	-	202,666	19,190	-	89,547	311,403

Interests in Equity Instruments

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			**Interests in unlisted options**			
	Balance	**Net Change**	**Balance**	**Held at**	**Net Change**	**Held at**	**Vested and exerciseable**
	1/7/2017	-	**30/6/2018**	**1/7/2017**		**30/6/2018**	**30/6/2018**
EG Albers	149,247,634	-	149,247,634	-	-	-	-
RL Clark	57,551	-	57,551	4,300,000	-	4,300,000	4,300,000
DC Coombes (1)	189,900	(189,000)	-	1,420,000	(1,420,000)	-	-
G Guglielmo	3,120,000	-	3,120,000	940,000	-	940,000	940,000
KK How	50,000	-	50,000	880,000	-	880,000	880,000
SK Kler	50,000	-	50,000	880,000	-	880,000	880,000
JMD Willis	3,117,382	-	3,117,382	1,750,000	-	1,750,000	1,750,000

(1) DC Coombes resigned 25 May 2018.

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 Australian 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 2018 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 11 to 12 of the directors' report, (as part of audited Remuneration Report), for the year ended 30 June 2018, 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:

E.G. Albers
Director
Melbourne
27 September 2018

Grant Thornton

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Independent Auditor's Report

To the Members of Octanex Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Octanex Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton

Emphasis of matter – Recoverability of Exploration and Evaluation Asset

We draw your attention to Note 10 of the financial statements and the exploration and evaluation asset of $7,241,291 relating to petroleum retention lease WA-54-R. We note the Joint Venture has applied to vary certain conditions of the petroleum retention lease. Whilst the Directors are involved in ongoing discussions with the Authority in respect to these variations, the Authority has not currently agreed to make the requested variations. These circumstances give rise to uncertainty in respect to the recoverability of the carrying value of the exploration and evaluation asset. Our opinion is not further modified in respect of this matter.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a net loss of $21,501,846 during the year ended 30 June 2018 and has net current liabilities of $210,638. With the termination of Ophir, the Group has lost a significant source of funding for its Australian based exploration activities. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the Emphasis of Matter - Recoverability of Exploration and Evaluation Asset and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation Assets Valuation (Note 10)	

The tenements held by Octanex Limited and its subsidiaries are in the exploration stage and exploration expenditure is capitalised in accordance with Australian Accounting Standard AASB 6 *Exploration for and Evaluation of Mineral Resources*.
 	
The Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value. Any impairment losses are then measured in accordance with AASB 136 *Impairment of Assets*.
 	
AASB 6 *Exploration for and Evaluation of Mineral Resources* requires exploration and evaluation asset to be assessed for impairment when there are indicators of impairment. AASB 6 provides a list of 4 indicators, however that list is not exhaustive and therefore subjectivity is involved in the assessment.
 	
This area is a key audit matter as significant judgement is required in determining whether the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, and then consequently in measuring any impairment loss.
	Our procedures included, amongst others:
	• Obtaining the management prepared reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;
	• Selecting a sample of capitalised exploration and evaluation expenditure and obtaining documentation to support the amount capitalised in line with AASB 6;
	• Critically reviewing management's assessment of impairment indicators for the Group's capitalised exploration assets under AASB 6 by:
	  ▪ Assessing the period for the right to explore the areas of interest had not expired or will not expire in the near future without an expectation of renewal;
	  ▪ Enquiring of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of managements' budgeted expenditure;
	  ▪ Understanding whether any data exists that indicates the carrying value of exploration and evaluation assets is unlikely to be recovered from successful development or by sale; and
	  ▪ Considering any other available evidence of impairment.
	• Assessing management's consequent determination of impairment loss (if any); and
	• Reviewing related financial statement disclosures.

Key audit matter	How our audit addressed the key audit matter
Recoverability of investment in and receivable from associate (Note 6)	

Octanex Limited have a receivable from associates amounting to $10,300,698 as at 30 June 2018. The Group's assessment of the recoverability of receivables and the related impairment provision requires judgment in determining when debt shows evidence of non-recoverability.
 	
The Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value. Any impairment losses are then measured in accordance with AASB 136 *Impairment of Assets*.
 	
This area is a key audit matter as significant judgement is required in determining whether the facts and circumstances suggest that the carrying amount of the receivable may exceed its recoverable amount, and then consequently in measuring any impairment loss.
	Our procedures included, amongst others:
	
	• Obtaining management's evaluation of the recoverable amount expected from the associate;
	• Critically reviewing management's assessment of impairment indicators by:
	  ▪ Reviewing the terms of the advance to the associate to determine requirement to repay;
	  ▪ Reviewing forecasts of the joint venture with the associate to determine capacity to repay the debt;
	  ▪ Understanding whether any data exists that indicates the carrying value of the receivable is unlikely to be recovered from the associate; and
	  ▪ Considering any other available evidence of impairment.
	• Assessing management's consequent determination of impairment loss (if any).
	• Reviewing related financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Group 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 11 to 12 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Octanex Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 27 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year Ended 30 June 2018

	NOTE	2018 $	2017 $
Revenue - interest received		2,061	2,555
Other income	2	54,800	79,649
Interest and finance costs		(616,419)	(410,667)
Expenses	3	(1,968,269)	(1,001,490)
Impairment of exploration assets	10,29	(23,652,138)	(1,745,165)
Share of loss of Ophir Production Sdn Bhd	8	(2,973,794)	(2,520,364)
Share of loss of Peako Limited		(11,054)	(24,884)
Impairment of investment in Peako Limited	9	-	(39,218)
Loss before tax		(29,164,813)	(5,659,584)
Income tax benefit	4	7,662,966	859,513
Net Loss after tax		(21,501,847)	(4,800,071)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation	17	636,368	(409,472)
Income tax effect		-	-
Items that will not be reclassified subsequently to profit or loss			
Changes in financial assets at fair value through other comprehensive income	17	(15,923)	17,693
Income tax on items of comprehensive income	17	4,776	(5,307)
Other comprehensive income for the year net of tax		625,221	(397,086)
Total comprehensive income for the year		(20,876,626)	(5,197,157)
Basic loss per share (cents per share)	26	(8.857)	(2.202)
Diluted loss per share (cents per share)	26	(8.857)	(2.202)

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 2018

	NOTE	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	5	1,331,845	5,666,779
Trade and other receivables	6	140,798	308,007
Advance to Ophir Production Sdn Bhd	6	10,300,698	-
TOTAL CURRENT ASSETS		11,773,341	5,974,786
NON-CURRENT ASSETS			
Advance to Ophir Production Sdn Bhd	6	-	10,040,613
Financial assets at fair value through other comprehensive income	7	23,004	38,928
Investments in an associate and a joint venture	8,9	-	78,347
Exploration and evaluation assets	10	16,399,197	39,657,763
TOTAL NON-CURRENT ASSETS		16,422,201	49,815,651
TOTAL ASSETS		28,195,542	55,790,437
CURRENT LIABILITIES			
Trade and other payables	11	1,289,241	359,284
Provisions	12	131,886	138,008
Derivative financial liability	14	109	386,596
Borrowings	13	10,562,743	-
TOTAL CURRENT LIABILITIES		11,983,979	883,888
NON-CURRENT LIABILITIES			
Borrowings	13	-	10,162,204
Deferred tax liabilities	15	-	7,667,744
TOTAL NON-CURRENT LIABILITIES		-	17,829,948
TOTAL LIABILITIES		11,983,979	18,713,836
NET ASSETS		16,211,563	37,076,601
EQUITY			
Issue capital	16	68,867,927	68,856,339
Reserves	17	1,890,331	1,265,110
Accumulated losses		(54,546,695)	(33,044,848)
TOTAL EQUITY		16,211,563	37,076,601

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 2018

	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 2017	68,856,339	(33,044,848)	(814,978)	1,042,525	1,037,563	37,076,601
Loss after tax	-	(21,501,847)	-	-	-	(21,501,847)
Other comprehensive income						
Exchange differences of translation of foreign operations net of tax	-	-	-	636,368	-	636,368
Changes in fair value on financial assets at fair value through other comprehensive income net of tax	-	-	(11,147)	-	-	(11,147)
Total other comprehensive income	-	-	(11,147)	636,368	-	625,221
Total comprehensive income for the year	-	(21,501,847)	(11,147)	636,368	-	(20,876,626)
Transactions with owners in their capacity as owners						
Trustee Share sale	12,071	-	-	-	-	12,071
Cost of sale	(483)	-	-	-	-	(483)
At 30 June 2018	68,867,927	(54,546,695)	(826,125)	1,678,893	1,037,563	16,211,563

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 2017

	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 2016	68,856,339	(28,244,777)	(827,364)	1,451,997	948,016	42,184,211
Loss after tax	-	(4,800,071)	-	-	-	(4,800,071)
Other comprehensive income						
Exchange differences of translation of foreign operations net of tax	-	-	-	(409,472)	-	(409,472)
Changes in fair value on financial assets at fair value through other comprehensive income net of tax	-	-	12,386	-	-	12,386
Total other comprehensive income	-	-	12,386	(409,472)	-	(397,086)
Total comprehensive income for the year	-	(4,800,071)	12,386	(409,472)	-	(5,197,157)
Transactions with owners in their capacity as owners						
Share-based payments expense	-	-	-	-	89,547	89,547
At 30 June 2017	68,856,339	(33,044,848)	(814,978)	1,042,525	1,037,563	37,076,601

Consolidated Statement of Cash Flows
Year Ended 30 June 2018

	NOTE	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Administration fees received		55,836	61,007
Interest received		2,061	2,555
Payments to suppliers		(1,091,117)	(1,137,904)
Interest paid		-	(208,008)
Net cash outflow from operating activities	(i)	(1,033,220)	(1,282,350)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to suppliers - exploration		(371,310)	(194,137)
Loans to Ophir Production Sdn Bhd		(3,197,351)	(6,391,207)
Proceeds from sale of investments		106,302	-
Net cash outflow from investing activities		(3,462,359)	(6,585,344)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing	13	-	10,583,788
Proceeds from share issue	16	12,071	-
Cost of share issue	16	(483)	-
Net inflow from financing activities		11,588	10,583,788
Net increase / (decrease) in cash and cash equivalents		(4,483,991)	2,716,094
Exchange (losses) / gains		149,057	(196,609)
Cash and cash equivalents at beginning of the year		5,666,779	3,147,294
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	1,331,845	5,666,779

(i) RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH LOSS AFTER INCOME TAX

	NOTE	2018 $	2017 $
Loss after income tax		(21,501,847)	(4,800,071)
Non cash items:			
Borrowing Costs		126,333	54,275
Exchange rate changes on the balances held in a foreign currency		266,425	2,659
Employee Provisions expense		(6,122)	7,832
Gain on sale of shares		(39,009)	-
Share based payments expense		-	89,547
Share of loss and impairment of Peako Limited		11,054	64,103
Share of loss of Ophir Production Sdn Bhd	8	2,973,794	2,520,364
Finance costs		490,086	356,392
Impairment of exploration assets	29	23,652,138	1,745,165
Impairment of OPSB advance		607,917	-
Changes in assets and liabilities:			
Decrease in receivables		40,878	20,040
Decrease in tax liabilities	15	(7,662,969)	(483,143)
Increase in payables		8,102	(859,513)
Net Cash outflow from Operating Activities		(1,033,220)	(1,282,350)

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

Notes to the Financial Statement
30 June 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Octanex Limited ("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 2018 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. Financial information for Octanex Limited as an individual entity is included in Note 27. The financial report was authorised by the directors for issue on 27 September 2018.

(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.

Going concern
For the year ended 30 June 2018 the Group incurred a net cash outflow from operating and investing activities of $4,495,579 (2017: $7,867,694) and a net loss after tax of $21,501,847 (2017: $4,800,071). As at 30 June 2018, the Group has negative working capital of $210,638 (2017: positive working capital $5,090,898). The financial report has been prepared on a going concern basis. Directors expect that the Group will be able to successfully raise sufficient funding to enable it to continue as a going concern for at least 12 months from the signing of the annual financial report.

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

From 1 July 2010 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. 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.

(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 2018

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. Peako Limited was an associate of Octanex in the prior year.

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 and liabilities (including its share of any assets and liabilities held jointly), its revenue from the sale of its share of the output arising from 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 8 and 9) together with long-term interests that in substance form part of the entity's net investment in the associate or joint venture (refer Note 6). 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.

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. 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 Limited. 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..

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.

(f) Foreign Currency Translation

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

Notes to the Financial Statement
30 June 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Statement of Profit or Loss and Other Comprehensive Income, 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 Statements of Profit or Loss and Other Comprehensive Income 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.

(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.

(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.

(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. 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.

Notes to the Financial Statement
30 June 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.. 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.

(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.

Notes to the Financial Statement
30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

he tests contained in AASB6.20 are applied to determine whether exploration and evaluation assets are assessed for impairment:

i. the exploration and evaluation tenure right has expired or are expected to expire in the near future, and is not expected to be renewed.
ii. substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
iii. exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
iv. sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale

Proceeds from the sale of exploration permits or recoupment of exploration costs from farmin arrangements are credited against exploration costs previously capitalised. Any excess of the proceeds overs 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.

Other than as disclosed in these notes, 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).

TWork requirements achieved by farm-ins materially reduce the level of expenditure incurred by the company to comply with work program commitments.

Per Note 1(p), 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management have considered whether there are impairment indicators for the capitalised exploration and evaluation expenditure relating to WA-54-R (note 10) applying the tests contained in AASB 6.20, in particular on the basis that the Cornea Joint Venture continues to undertake work to address Cornea's key barriers to commercialisation. The objective of the current work activities is to support design of a production test well to achieve economic production. The Joint Venture has applied to the regulator to vary the conditions of the Retention Lease to move the timing for a production test well so that integrated reservoir modelling and facilities work can be completed in order to design a production test well capable of delivering sufficient threshold productivity to demonstrate economic viability. Management notes that the outcome of this application is significant to the Joint Venture's future activities and tenure of the Lease. A negative decision by the regulator may impact on the Joint Venture's ability to renew the Lease and result in a material adjustment to the carrying amount of capitalised exploration and evaluation expenditure.

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.

Management has assessed the company's investment in Ophir Production Sdn Bhd (OPSB) and concluded that OPSB is a joint venture company. AASB 128 requires the use of equity accounting for investment in joint venture companies. Management has assessed recoverability of the advance to Ophir Production Sdn Bhd ("OPSB') having consideration to the status of termination of RSC. (Refer Note 6).

(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.

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.

(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.

(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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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) Convertible Notes

The conversion feature of the convertible notes represents an embedded derivative (Note 14) in a host liability (Note 13). The embedded derivative is recognised separately from the host liability. On initial recognition the derivative was measured at fair value, with the residual face value of the convertible notes assigned to the host liability. Subsequently, the embedded derivative is measured at fair value through profit and loss, and the host liability is measured at amortised cost using the effective interest rate method.

(w) 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.

Notes to the Financial Statement
30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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 2017.

The Directors do not believe that new and revised standards issued by AASB (that are not as yet effective), AASB 15 Revenue from Contracts with Customers and AASB 16 Leases, will have any material financial impact on the financial statements as the Group has no revenue from contracts with customers or Leases. AASB 9 has been early adopted (Note 1(c)).

NOTE 2 OTHER INCOME

	NOTE	2018 $	2017 $
Sundry income – director related	21	54,800	52,830
Net foreign exchange gain		-	26,819
Total income		54,800	79,649

NOTE 3 EXPENSES INCLUDING IMPAIRMENTS

Audit fees	23	62,004	62,128
Consulting		37,058	44,207
Directors' remuneration	20	-	-
Foreign Exchange Loss		343,269	-
Management fees		23,000	(16,397)
Reporting, registry and stock exchange		36,692	32,567
Office expenses		220,657	222,117
Other expenses		168,279	192,590
Project costs		89,006	34,515
Salaries		380,387	340,216
Share based payments: fair value of directors' options at grant date	16	-	89,547
Impairment of OPSB Advance	6	607,917	-
Total expenses		1,968,269	1,001,490

NOTE 4 INCOME TAX

Components of income tax benefit		
Current tax expense		
Current period	(7,662,966)	(859,513)
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total	(7,662,966)	(859,513)

Tax losses do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of tax losses because there is presently no expectation of future taxable profit against which the Group could utilise such benefits.

Notes to the Financial Statement
30 JUNE 2018

NOTE 4 INCOME TAX (CONTINUED)

	NOTE	2018 $	2017 $
Reconciliation between tax benefit and pre-tax loss			
Loss before tax		(29,164,813)	(5,659,584)
Income tax benefit using statutory income tax rate of 30%		(8,749,444)	(1,697,875)
Tax effect of adjustment recognised in the period for:			
Prospectus costs		(3,005)	(3,005)
Adjustment for prior periods		(282,682)	-
Non-assessable income		(4,237)	(7,812)
Equity accounted loss – non deductible		892,138	756,109
Impairment of OPSB advance – non deductible		182,375	-
Other non–deductible expenses		301,889	93,070
Income tax benefit		(7,662,966)	(859,513)
Franking credit balance:			
Franking account balance as at end of year		1,741,532	1,741,532

NOTE 5 CASH AND CASH EQUIVALENTS

Cash at bank and on hand		1,331,845	5,666,779

Cash at bank and on hand includes $458,019 held with the OCBC Bank in Singapore (2017: $5,142,101). 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 primarily to be used to fund cash calls for the Ophir project.

Cash and cash equivalents are subject to interest rate risk as they earn floating rates. In the year to 30 June 2018 the average floating rate for the consolidated entity was 0.12% (2017: 0.05%). Details of interest rate risk and sensitivity can be found in Note 22. At 30 June 2018 all bank deposits are at call.

NOTE 6 TRADE AND OTHER RECEIVABLES

Current			
Other receivables		126,526	295,973
Director-related entities - other receivables	21	14,272	12,034
Advance to Ophir Production Sdn Bhd		10,300,698	-
		110,441,496	308,007
Non current			
Advance to Ophir Production Sdn Bhd		1-	10,040,613

The carrying amount of all receivables is equal to their fair value as they are short term.

Notes to the Financial Statement
30 JUNE 2018

	NOTE	Consolidated 2018 $	2017 $

NOTE 6 TRADE AND OTHER RECEIVABLES (CONTINUED)

At 30 June 2018 no receivables are impaired or past due except for the impairment of the current advance to OPSB.

The advance to OPSB represents total advances made by the company to OPSB less a share of OPSB's losses to date and less an impairment value. OPSB losses represent costs that are specifically not reimbursable from PETRONAS, such as financing costs. All OPSB expenditure eligible for reimbursement from PETRONAS is capitalised by OPSB as amounts receivable from PETRONAS.

The application of Octanex's share of OPSB losses to the OPSB Advance is in accordance with the accounting standards which require the company to apply its 50% share of OPSB's losses firstly against the carrying value of the equity investment in OPSB and then against the Advance made to OPSB

Reconciliation of Advance to OPSB

	NOTE	2018 $	2017 $
Octanex's share of OPSB losses, after first applying such losses against Octanex's equity investment in OPSB	8	(7,034,962)	(4,061,168)
Advance to OPSB		17,943,577	14,101,781
Share of equity accounted loss applied		(7,034,962)	(4,061,168)
Impairment of Advance		(607,917)	-
Carrying amount of Advance	21	10,300,698	10,040,613

Repayments of shareholders advances by OPSB will be from surplus funds available following reimbursement of capital and operating costs from PETRONAS pursuant to the Risk Service Contract and after repayment of OPSB's Project Financing Facilities (refer Note 8). The advance has been impaired to reflect management's current estimate of the carrying amount of the Advance expected to be recovered from OPSB.

ll receivables are non-interest bearing.

NOTE 7 OTHER FINANCIAL ASSETS (NON-CURRENT)

Financial Assets at fair value through other comprehensive income

	NOTE	2018 $	2017 $
Investment in director-related equities	7(a)(b)	23,003	38,927
At cost:			
Shares in controlled entities	7(c)	1	1
		23,004	38,928
(a) Director-related Entities:			
Enegex Limited		23,003	38,927
Principal activity is oil and gas exploration (Note 21)			

Notes to the Financial Statement
30 JUNE 2018

	NOTE	Consolidated 2018 $	Consolidated 2017 $

NOTE 7 OTHER FINANCIAL ASSETS (NON-CURRENT) (CONTINUED)

(b) Reconciliation of the carrying amount of Financial Assets at fair value through other comprehensive income		
Balance at beginning of year	38,927	21,234
Net revaluation increment (decrement)	(15,924)	17,693
	23,003	38,927

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

(c) Shares in Controlled Entities		
United Oil & Gas Pty Ltd	1	1

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

The consolidated entity did not consolidate United Oil & Gas Pty Ltd on the grounds that balances were not considered material.

NOTE 8 INVESTMENT IN A JOINT VENTURE COMPANY

The consolidated entity has a 50% (2017: 50%) interest in Ophir Production Sdn Bhd (OPSB), a joint venture company, incorporated in Malaysia and previously 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 (which follow IFRS), is set out in this note together with a reconciliation with the carrying amount of the investment in the consolidated financial statements.

OPSB Summarised Statement of Financial Position		
Current Assets (including cash $12,591,904 (2017: $3,475,937))	30,004,845	8,775,542
Non-Current Assets	90,572,143	68,232,939
Current liabilities	(38,441,211)	(21,744,304)
Non-Current Liabilities	(63,921,061)	(37,645,983)
Equity	18,214,716	17,618,194

OPSB Summarised Statement of Profit or Loss		
Revenue	37,466,324	43,633,943
Expenses	(43,414,253)	(48,674,672)
Loss before tax	(5,947,929)	(5,040,729)
Income tax benefit	-	-
Loss after tax	(5,947,929)	(5,040,729)
Consolidated entity's share of loss for the year	(2,973,794)	(2,520,364)

PSB has syndicated term loan facilities drawn to US$71 million which were used to fund the development of the Ophir field. Pursuant to the terms of the loan facilities, repayments will be sourced from the PETRONAS cost reimbursements, which are expected to commence following conclusion of RSC termination arrangements with PETRONAS.

Octanex has provided a proportionate corporate guarantee to OPSB's lenders for undertaking in respect of OPSB's term loan facilities.

Notes to the Financial Statement
30 JUNE 2018

	NOTE	Consolidated 2018 $	2017 $

NOTE 8 INVESTMENT IN A JOINT VENTURE COMPANY (CONTINUED)

OPSB has no known contingent liabilities.

Reconciliation of Equity Investment in OPSB

The equity investment in OPSB is carried at nil cost at 30 June 2018 following the application of accounting standards which require the company to apply its 50% share of OPSB's losses firstly to the carrying value of the equity investment in OPSB.

	2018	2017
Octanex cumulated share of OPSB losses at end of year *(50% share of cumulative loss equity accounted as required by accounting standards)*	(8,493,882)	(5,601,972)
Cost of OPSB equity investment	1,458,920	1,458,920
Carrying amount of OPSB equity investment	-	-
Octanex's share of OPSB losses, net of application Octanex's equity investment in OPSB	(7,034,962)	(4,061,168)

OPSB – Commitments

OPSB's capital and operating expenditure commitments are as follows:

	2018	2017
Payable not later than one year	9,507,709	23,639,482
Payable later than one year but not later than three years	-	27,158,035
	9,507,709	50,797,517

On 6 June 2018 OPSB exercised its right to terminate the RSC, providing PETRONAS with 90 days written Notice of Termination. The RSC provides that following Termination, PETRONAS shall assume responsibility for the field, accept novation of contracts and reimburse to OPSB approved capital and operating costs met by OPSB and not previously reimbursed.

NOTE 9 INVESTMENT IN AN ASSOCIATE

The company sold all of its interest in Peako Limited, an Australian Securities Exchange listed company involved with natural resources exploration, in December 2017. The company's interest in Peako was previously accounted for using the equity method in the consolidated financial statements.

	2018	2017
Cost of the investment	-	1,335,305
Octanex's share of Peako's losses (equity accounted as required by accounting standards)	-	(861,897)
Impairment of investment	-	(395,061)
Carrying amount of the investment	-	78,347

There were no contingent liabilities in the associate

Exploration commitments:

	2018	2017
Payable not later than one year	-	20,000
Payable later than one year but not later than three years	-	60,000
	-	80,000

Notes to the Financial Statement
30 JUNE 2018

	NOTE	Consolidated 2018 $	2017 $
NOTE 10 EXPLORATION AND EVALUATION ASSETS			
Carrying amount at beginning of year		39,657,763	41,208,791
Impairment of exploration assets	29	(23,652,138)	(1,745,165)
Cost incurred during the year		393,572	194,137
Carrying amount at end of year		16,399,197	39,657,763

Ultimate recovery of exploration and evaluation assets is dependent upon exploration success and/or the company maintaining appropriate funding to support continued exploration activities. Exploration and evaluation assets relate to the areas of interest in the exploration and evaluation phase for petroleum exploration permits and a retention lease as shown in the table below:
On 21 June 2018 Octanex

30/06/2018	30/06/2017	Notes
Exploration Permits		
WA-407-P	WA-407-P	*Held by wholly-owned subsidiary, Octanex Bonaparte Pty Ltd*
WA-420-P	WA-420-P	
WA-387-P	WA-387-P	*Fully impaired at 30 June 2017*
-	WA-362-P	*In January 2018 Octanex joined with Eni Australia Limited in withdrawing*
-	WA-363-P	*from exploration permits WA-362-P and WA-363-P. Fully impaired at June 2018.*
-	WA-323-P	*In June 2018 the Winchester Joint Venture (Santos 75% / Octanex 25%)*
-	WA-330-P	*applied for consent to surrender WA-330-P and also decided not to lodge an application for Retention Lease in respect of the Winchester gas discovery in WA-323-P. The Permit, which was in year 5, was not eligible for a further renewal and expired. Fully impaired at 30 June 2018*
Retention Lease		
WA-54-R	WA-54-R	*Held via joint operations, details of the interests held can be found in Note 19.*

NOTE 11 TRADE AND OTHER PAYABLES

Financial liabilities at amortised cost

	NOTE	2018 $	2017 $
Current			
Trade creditors and accruals		998,814	109,081
Director-related entities - other payables	21	290,427	250,203
		1,289,241	359,284

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.

Notes to the Financial Statement
30 JUNE 2018

NOTE 12 PROVISIONS

	NOTE	Consolidated 2018 $	2017 $
Current			
Annual Leave		9,503	19,480
Directors' retirement benefit (1)		82,125	82,125
Long service leave		40,258	36,403
		131,886	138,008

(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 Limited. Amongst other things, it provides for a payment of a retirement benefit to EG Albers as chairman. A deed of variation was signed 16 August 2016, and effective 30 June 2016, that varied the terms of calculation of the Retirement Benefit under the original Deed. The amount reflects the 25 years of service EG Albers has provided to the company.

NOTE 13 CURRENT BORROWINGS

Sabah International Petroleum Ltd subscribed to the Company for 4,000,000 US$1.00 Tranche A convertible notes (Tranche A Notes) on 7 December 2016 and 4,000,000 US$1.00 Tranche B convertible notes (Tranche B Notes) on 30 June 2017 pursuant to a convertible note subscription agreement approved by shareholders in February 2015.

The notes have a maturity date of 30 June 2019, attracting 8% interest per annum, payable at maturity or redemption. The Tranche A notes may be converted into 31,746,032 ordinary shares at any time, based on an agreed conversion price of A$0.15 (US$0.126). The Tranche B notes may be converted into 23,809,524 ordinary shares at any time, based on an agreed conversion price of A$0.20 (US$0.168) or redeemed at maturity for repayment of principal plus a 12% IRR.

Repayment of the convertible notes which were issued by the Company is supported by way of a charge over the Company's shares in Octanex Pte Ltd pursuant to a share charge between the Company and Sabah International Petroleum dated 4 December 2014.

Current estimates of the carrying value of Octanex's advance to OPSB (refer Note 6) indicate that there may be insufficient funds available to enable SIP to fully redeem the Convertible notes issued by the Company. SIP is considering proposed amendments to the convertible note terms made by Octanex to SIP in order to maximise and bolster the chain of forward recoupment of funds from PETRONAS to OPSB, OPSB to Octanex Pte Ltd, Octanex Pte Ltd to Octanex and Octanex to SIP. In this regard, Datuk Kevin How, a director of SIP, has joined the board of OPSB as a director nominated by Octanex.

Convertible notes		
Carrying amount at beginning of year	10,162,204	-
Drawdown of convertible notes	-	10,583,788
Movements in exchange rates	423,559	(183,372)
Less embedded derivative liability	-	(264,564)
Effective Interest expense	876,573	234,360
Less interest paid / accrued	(899,593)	(208,008)
Carrying amount at end of year	10,562,743	10,162,204

Interest expense is calculated by applying the effective rate of interest of 8% to the host liability component.

Notes to the Financial Statement
30 JUNE 2018

	Consolidated	
	2018	**2017**
	$	**$**

NOTE 14 DERIVATIVE FINANCIAL LIABILITY

	2018 $	2017 $
Convertible notes		
At inception	264,564	264,564
Changes in fair value	(264,455)	122,032
Balance at end of year	109	386,596

The embedded derivative liability is valued using a binomial option valuation model. The following inputs were used:

	Tranche A	**Tranche B**
Exercise price:	A$0.15	A$0.20
Market price:	A$0.014	A$0.014
Expected volatility:	70.3%	70.3%
Risk free interest rate:	2.05%	2.05%

NOTE 15 DEFERRED TAX LIABILITIES

	Deferred Tax Assets		Deferred Tax Liabilities		Net Deferred Tax Liabilities (Assets)	
Consolidated	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**
Investment revaluations	(1,062)	-	-	3,715	(1,062)	3,715
Exploration costs	-	-	4,919,759	12,290,125	4,919,759	12,290,12
Borrowing costs	-	-	34,695	72,593	34,695	72,593
Accrued expenses	(9,150)	(8,250)	-	-	(9,150)	(8,250)
Provisions	(39,566)	(41,402)	-	-	(39,566)	(41,402)
Carried forward tax losses	(4,904,676)	(4,649,037)	-	-	(4,904,676)	(4,649,037)
	(4,954,454)	(4,698,689)	4,954,454	12,366,433	-	7,667,744

	Opening Balance at 1 July 2017	**Charged / (credited) to Income Statement**	**Charged / (credited) directly to Equity**	**Closing Balance at 30 June 2018**
	$	**$**	**$**	**$**
Investment revaluations	3,715	-	(4,777)	(1,062)
Exploration costs	12,290,125	(7,370,366)	-	4,919,759
Borrowing costs	72,593	(37,898)	-	34,695
Accrued expenses	(8,250)	(900)	-	(9,150)
Provision	(41,402)	1,836	-	(39,566)
Carried forward tax losses	(4,649,037)	(255,639)	-	(4,904,676)
	7,667,744	(7,662,967)	(4,777)	-

Notes to the Financial Statement
30 JUNE 2018

NOTE 15 DEFERRED TAX LIABILITIES (CONTINUED)

	Opening Balance at 1 July 2016	Charged / (credited) to Income Statement	Charged / (credited) directly to Equity	Closing Balance at 30 June 2017
	$	$	$	$
Consolidated				
Investment revaluations	(1,593)	-	5,308	3,715
Exploration costs	12,755,433	(465,308)	-	12,290,125
Borrowing costs	88,878	(16,285)	-	72,593
Accrued expenses	(9,000)	750	-	(8,250)
Provision	(39,053)	(2,349)	-	(41,402)
Carried forward tax losses	(4,272,716)	(376,321)	-	(4,649,037)
	8,521,949	(859,513)	5,308	7,667,744

NOTE 16 CONTRIBUTED EQUITY

Issued Capital	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares fully paid (a)	242,823,840	242,712,947	68,867,927	68,856,339
Ordinary shares issued pursuant to trustee stock scheme(b)	29,889,107	30,000,000	-	-
Balance at end of year	272,712,947	272,712,947	68,867,927	68,856,339
(a) Ordinary shares fully paid				
Balance at beginning of year	242,712,947	202,465,561	68,856,339	58,894,364
Trustee shares sold	110,893	-	12,071	-
Issue costs	-	-	(483)	-
Share cancellation and consolidation	-	40,247,386	-	9,961,975
Balance at end of year	242,823,840	242,712,947	68,867,927	68,856,339
(b) Ordinary Shares Issued Pursuant to Trustee Stock Scheme				
Balance at beginning of year	30,000,000	30,000,000	-	-
Trustee shares sold	(110,893)	-	-	-
Balance at end of year	29,889,107	30,000,000	-	-

In November 2015, the members of Octanex voted to extend the existing trustee stock scheme by five years to 30 November 2020.

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.

Notes to the Financial Statement
30 JUNE 2018

NOTE 16 CONTRIBUTED EQUITY (CONTINUED)

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. The trustee does not exercise voting rights in respect of shares held pursuant to the scheme.

Unlisted Options - (Share Based Payment)

Existing options are

Number	Expiry Date	Exercise price	Vesting criteria
6,600,000	15 October 2018	$0.1534	No
7,170,000	24 November 2019	$0.08	No

	2018 Options	2017 Options
Unlisted Options		
Balance at beginning of year	21,270,000	15,100,000
Options granted	-	7,170,000
Options expired / cancelled	(7,500,000)	(1,000,000)
Balance at end of year	13,770,000	21,270,000

NOTE 17 RESERVES

	NOTE	Consolidated 2018 $	Consolidated 2017 $
Financial assets at fair value through other comprehensive income reserve		(826,125)	(814,978)
Option reserve		1,037,563	1,037,563
Foreign currency translation reserve		1,678,893	1,042,525
		1,890,331	1,265,110

	2018	2017
Financial assets at fair value through other comprehensive income reserve		
Balance at beginning of financial year	(814,978)	(827,364)
Changes in fair value on financial assets at fair value through other comprehensive income	(15,923)	17,694
Income tax on other comprehensive income	4,776	(5,308)
	(826,125)	(814,978)

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 7 and 22.

Notes to the Financial Statement
30 JUNE 2018

	NOTE	Consolidated 2018 $	2017 $

NOTE 17 RESERVES (CONTINUED)

		2018 $	2017 $
Option reserve			
Balance at beginning of financial year		1,037,563	948,016
Share based payment expense		-	89,547
		1,037,563	1,037,563

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

		2018 $	2017 $
Foreign currency translation reserve			
Balance at beginning of financial year		1,042,525	1,451,997
Movement for the year		636,368	(409,472)
		1,678,893	1,042,525

The foreign currency translation reserve relates to the consolidation of foreign currency denominated fully owned subsidiary entities. At 30 June 2018 the following companies and currencies held in those companies were consolidated: Octanex Pte Ltd – United States Dollars

NOTE 18 EXPLORATION AND EVALUATION EXPENDITURE COMMITMENTS

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

		2018 $	2017 $
Payable not later than one year		193,750	196,875
Payable later than one year but not later than three years		-	7,687,500
		193,750	7,884,375

The Cornea Joint Venture has applied to the regulator to vary the conditions of the WA-54-R Retention Lease to move the production test well to the next term of the Lease (Note 1(q)).

Estimated expenditure, arising from retention lease work programme which, may, subject to negotiation and approval, be varied. They may also be satisfied by farmout, sale, relinquishment or surrender.

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 Operation	2018 Interest	2017 Interest	Permits
Winchester Project (see Note 10)	-	25%	WA-323-P & WA-330-P
Northern Deeps (see Note 10)	-	33.33%	WA-362-P & WA-363-P
Cornea	18.75%	18.75%	WA-54-R

Notes to the Financial Statement
30 JUNE 2018

	NOTE	Consolidated 2018 $	2017 $

NOTE 19 INTEREST IN UNINCORPORATED JOINT OPERATIONS (CONTINUED)

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

	NOTE	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents		4,477	1,730
Receivables	6	492	1,410
NON-CURRENT ASSETS			
Exploration and evaluation assets	10	7,241,291	30,789,438
CURRENT LIABILITIES			
Payables	11	248	209
Payables – director-related entity	11, 21	5,078	9,762

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

	2018 $	2017 $
Payable not later than one year	93,750	46,875
Payable later than one year but not later than three years	-	7,687,500
	93,750	7,734,375

NOTE 20 KEY MANAGEMENT PERSONNEL

Executive Directors	Non-Executive Directors	
EG Albers	G Guglielmo*	SK Kler**
RL Clark	KK How	JMD Willis

DC Coombes resigned 25 May 2018. * resigned 17 July 2018. ** resigned 18 July 2018.

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.

		Short Term		*Post Employment*		*Equity Settled*	*Total*
		Directors Fees	*Salary*	*Superannuation*	*Retirement Benefits*	*Options*	
		$	*$*	*$*	*$*	*$*	*$*
TOTAL	2018	-	206,000	19,570	-	-	225,570
	2017	-	202,666	19,190	-	89,547	311,403

Notes to the Financial Statement
30 JUNE 2018

NOTE 21 RELATED PARTY DISCLOSURES

The consolidated financial statements of the Group include:

Name	2018 Interest	2017 Interest	Country of Incorporation
United Oil & Gas Pty Ltd	100%	100%	Australia
Goldsborough Pty Ltd	100%	100%	Australia
Octanex Bonaparte Pty Ltd	100%	100%	Australia
Braveheart Energy Pty Ltd	100%	100%	Australia
Octanex Cornea Pty Ltd	100%	100%	Australia
Octanex Winchester Pty Ltd	100%	100%	Australia
Winchester Exploration Pty Ltd	100%	100%	Australia
Octanex Pte Ltd	100%	100%	Singapore
Octanex Malaysia Sdn Bhd (1)	-	100%	Malaysia
Octanex Operations Pty Ltd	100%	100%	Australia
Strata Resources Pty Ltd	100%	100%	Australia
Octanex Exmouth Pty Ltd	100%	100%	Australia

(1) Deregistered December 2017

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 director-related entities as disclosed below together with amounts payable to related parties including those under joint operation arrangements*:

Entity	Related director	Service	Amounts paid 2018 $	Amounts paid 2017 $	Payable at 30/06/18 $	Payable at 30/06/17 $
Exoil Pty Ltd	EG Albers	Office services and amenities in Melbourne	222,176	222,459	58,378	50,172
Natural Resources Group Pty Ltd	EG Albers	Management and administration services	46,750	122,665	231,924	199,906
Upstream Consulting Limited	JMD Willis	Management services to Ophir project	6,500	10,305	-	-
Petroleum Advisors	G Guglielmo	Management services to Ophir project	16,700	3,000	-	-
Samika Pty Ltd	RL Clark	Management of retention lease	2,962	2,667	125	125
			295,008	361,096	290,427	250,203

As a participant of the Cornea Joint Venture the group holds interests in petroleum joint operations with director-related entities As a participant of the Cornea Joint Venture with Cornea Petroleum Pty Ltd, Cornea Oil & Gas Pty Ltd, Coldron Pty Ltd, Octanex Cornea Pty Ltd, Moby Oil & Gas Pty Ltd, Enegex Limited, Cornea Resources Pty Ltd and Auralandia Pty Ltd, all director-related entities of EG Albers.

Notes to the Financial Statement
30 JUNE 2018

NOTE 21 RELATED PARTY DISCLOSURES (Continued)

(ii)Providers of Services to Related Party

During the year accounting services were provided under normal commercial terms and conditions as disclosed below:

Entity	Related director	Sundry Revenue 2018 $	Sundry Revenue 2017 $	Receivables 30/06/18 $	Receivables 30/06/17 $
Enegex Limited	EG Albers	11,010	9,380	5,043	4,301
Cornea Resources Pty Ltd	EG Albers	13,125	510	770	561
Ophir Production Sdn Bhd	(Note 21 (iii))	122,050	28,350		
Peako Limited	EG Albers (Note 21 (iv))	18,615	14,590	8,459	7,172
		554,800	52,830	14,272	12,034

(iii) Advance to OPSB

As at 30 June 2018, the company had made advances to OPSB totalling $17,943,517 (2017 $14,101,781). After application of the company's share of OPSB losses and an impairment value, the carrying value of the advance is $10,300,698 (2017 $10,040,613) (Note 6).

(iv) Investments in director-related companies

At 30 June 2018, the company carried an investment in an ASX listed company Enegex Limited, (Note 7), which is a director-related entity of EG Albers.

NOTE 22 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	NOTE	2018 $	2017 $
Financial Assets			
Cash & cash equivalents		1,331,845	5,666,779
At fair value through other comprehensive income		23,004	38,928
Trade and other receivables – current ex prepayments		25,145	66,023
Trade and other receivables – non current	6	10,300,698	10,040,613
		11,680,692	15,812,343
Financial Liabilities			
Financial Liabilities at amortised cost			
Trade and other payables		1,289,241	359,284
Convertible Notes	13	10,562,743	10,162,204
At fair value through profit and loss		109	386,596
		11,852,093	10,908,084

Notes to the Financial Statement
30 JUNE 2018

NOTE 22 FINANCIAL INSTRUMENT (Continued)

30 JUNE 201Recognition 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 2018 and 30 June 2017 on a recurring basis are as follows:

30 June 2018	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Listed securities and debentures	23,004	-	-	23,004
Liabilities				
Derivative financial liability	-	-	(109)	(109)
Net fair value	23,004	-	(109)	22,895

30 June 2017	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Listed securities and debentures	38,928	-	-	38,928
Liabilities				
Derivative financial liability	-	-	(386,589)	(386,589)
Net fair value	38,928	-	(386,589)	(347,661)

Credit risk

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

Notes to the Financial Statement
30 JUNE 2018

NOTE 22 FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

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

Sensitivity Analysis

At reporting date a 1% (100 basis point) increase/decrease in the interest rate would increase/decrease the consolidated entity loss by $9,323 (2017: $39,667).

Liquidity risk

LLiquidity 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.

Consolidated	Carrying Amount $	Contractual cash flows $	0-12 months $	1-2 years $	2-10 years $
30 June 2018					
Non-derivative Financial Liabilities					
Trade and other payables	1,289,241	1,289,241	1,289,241	-	-
Convertible notes	10,562,743	11,428,661	11,428,661	-	-
	11,851,984	12,717,902	12,717,902	-	-

	Carrying Amount $	Contractual cash flows $	0-12 months $	1-2 years $	2-10 years $
30 June 2017					
Non-derivative Financial Liabilities					
Trade and other payables	359,284	359,284	359,284	-	-
Convertible notes	10,162,204	11,362,204	800,000	10,562,204	-
	10,521,488	11,721,488	1,159,284	10,562,204	-

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. Seismic and well drillings costs are usually denominated in US dollars. To this extent, the consolidated entity is exposed to exchange rate fluctuations between the Australian and US dollar. At 30 June 2018 the consolidated entity has a foreign currency exposure by holding US dollars in bank accounts totalling US$878,656 (2017: $4,221,978) and an advance to Ophir Production Sdn Bhd of US$13,262,098 (2017: US$10,847,090) which is offset by borrowings of US$8,000,000 (2017: US$8,000,000). A one cent movement in the USD/AUD exchange rate would move consolidated equity by AUD$77,638 (2017: $82,560). Loans to Ophir Production Sdn Bhd are in USD.

Notes to the Financial Statement
30 JUNE 2018

NOTE 22 FINANCIAL INSTRUMENTS (Continued)

Equity price risks

Equity price risk applies at fair value through other comprehensive income investments. The investments are subject to movements in prices of the investment markets.

	2018 $	2017 $
Financial Assets at fair value through other comprehensive income		
Investments in listed equities		
Enegex Limited	23,004	38,928

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 $2,300 (2017: $3,893). 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.

NOTE 23 AUDITOR'S REMUNERATION

	2018 $	2017 $
Amounts received or due and receivable by:		
Grant Thornton Audit Pty Ltd - Auditor of the consolidated entity and company	52,000	53,000
Related practices of the parent company auditor		
Audit and review of the financial reports		
Grant Thornton Singapore – Auditor of Octanex Pte Ltd	8,631	9,128
	60,631	62,128

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. All exploration and evaluation assets are held in Australia.

Notes to the Financial Statement

30 JUNE 2018

NOTE 25 EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant after balance date events to the date of signing of this report.

NOTE 26 LOSS PER SHARE

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

	2018 $	2017 $
Net loss	(21,501,847)	(4,800,071)
	Number of Shares	**Number of Shares**
Weighted average number of shares	242,766,870	217,945,331

Unlisted options outstanding during the year (Refer Note 16) are not dilutive at the 30th June 2018 as the exercise price is higher than the average share price for the year then ended.

NOTE 27 PARENT ENTITY INFORMATION

The following details information related to the parent entity, Octanex Limited at 30 June 2018. 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.

Current assets	11,771,085	5,973,359
Non-current assets	27,670,938	73,728,737
Total assets	39,442,023	79,702,096
Current liabilities	11,946,597	819,591
Non-current liabilities	12,447,135	22,943,718
Total liabilities	24,393,732	23,763,309
Contributed equity	68,867,927	68,856,339
Options reserve	1,037,563	1,037,563
Financial assets at fair value through other comprehensive income reserve	(639,113)	(639,113)
Accumulated losses	(54,218,066)	(13,316,002)
Total equity	15,048,311	55,938,787
Loss for the year	(40,902,064)	(1,470,571)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(40,902,064)	(1,470,571)

No dividends were paid by the parent entity in 2018 (2017: Nil).

Notes to the Financial Statement
30 JUNE 2018

NOTE 27 PARENT ENTITY INFORMATION (Continued)

	2018 $	2017 $

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

Payable not later than one year	51,250	25,625
Payable later than one year but not later than three years	-	4,202,500
	51,250	4,228,125

NOTE 28 CONTINGENT LIABILITIES

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) (Note 8).

NOTE 29 IMPAIRMENT OF EXPLORATION AND EVALUATION ASSET

n January 2018 Octanex joined with Eni Australia Limited in withdrawing from exploration permits WA-362-P and WA-363-P, resulting in an impairment of $9,264,930.

In June 2018 the Winchester Joint Venture (Santos 75% / Octanex 25%) applied for consent to surrender WA-330-P and also decided not to lodge an application for Retention Lease in respect of the Winchester gas discovery in WA-323-P (which was in year 5 and not eligible for a further renewal and has now expired), resulting in an impairment of $14,387,208.

Additional Information (unaudited)

As at 26 September 2018 Octanex holds the following interests in Petroleum Tenements:

Octanex Licences

Permit	Location	Octanex interest %	Operator
Ophir SFRSC	Malay Basin. Offshore Peninsular Malaysia	50% (via Octanex Pte Ltd)	Ophir Production Sdn Bhd
WA-54-R	Browse Basin, Offshore Western Australia	18.75% comprised of: 10.25% Octanex Limited 8.50%Octanex Cornea Pty Ltd	Cornea Resources Pty Ltd
WA-420-P	Bonaparte Basin, Offshore Western Australia	100% via Octanex Bonaparte Pty Ltd	Octanex Bonaparte Pty Ltd
WA-407-P	Bonaparte Basin, Offshore Western Australia	100% via Octanex Bonaparte Pty Ltd	Octanex Bonaparte Pty Ltd

Shareholder Information (compiled as at 26 September 2018)

Ordinary share capital

As at 26 September 2018 the company had on issue the following shares:

Fully Paid Ordinary Shares	Trustee Shares
272,712,947 held by 1,396 holders	29,889,107 held by Doravale Enterprises Pty Ltd (the Trustee)[1]
All issued fully paid ordinary shares carry one vote per share	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.

Options

As at 26 September 2018 the company had on issue 13,770,000 options held by 16 option holders. Options do not carry any voting right or rights to dividends.

Distribution of holders

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	172	54,476	0.02%
1,001 - 5,000	629	1,598,324	0.59%
5,001 - 10,000	135	1,071,962	0.39%
10,001 - 100,000	349	12,563,786	4.61%
Over 100,000	111	257,424,399	94.39%
Totals	**1,396**	**272,712,947**	**100.00%**

** Based on the price per security, number of holders with an unmarketable holding: 1,116*

[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.

Substantial shareholders

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

Shareholder	Interest in voting rights	% of Voting Rights
The Albers Group	152,260,730	55.83
Sabah International Petroleum	40,332,663	14.79

*Twenty largest shareholders as at 26th September 2018**

Holder	Number of shares	% of Fully Paid Shares
Sabah International Petroleum Ltd	40,332,663	14.79%
Gascorp Australia Pty Ltd	35,200,014	12.91%
Mr Ernest Geoffrey Albers & Mrs Pamela Joy Albers	25,868,034	9.49%
Mr Ernest Geoffrey Albers	14,436,081	5.29%
Sacrosanct Pty Ltd	14,172,354	5.20%
Great Missenden Holdings Pty Ltd	12,946,004	4.75%
National Gas Australia Pty Ltd	7,200,000	2.64%
Great Australia Corporation Pty Ltd	6,291,000	2.31%
Bass Strait Group Pty Ltd	6,059,049	2.22%
Cue Petroleum Pty Ltd	5,763,357	2.11%
The Albers Companies Incorporated Pty Ltd	3,780,491	1.39%
Australis Finance Pty Ltd	3,773,188	1.38%
Fugro Exploration Pty Ltd	3,691,721	1.35%
Mrs Pamela Joy Albers	3,062,500	1.12%
Miller Anderson Pty Ltd	3,000,000	1.10%
Bond Street Custodians Limited	2,819,512	1.03%
Great Missenden Group Pty Ltd	2,765,060	1.01%
Albers Family Custodian Pty Ltd	2,542,875	0.93%
Seaquest Petroleum Pty Ltd	2,248,000	0.82%
Wilstermere Corporation Pty Ltd	2,106,500	0.77%
Total Top 20	**198,058,403**	**72.63%**

** Excluding 29,889,107 Trustee Shares held by Doravale Enterprise Pty Ltd*