

OCTANEX LIMITED

ABN 61 005 632 315

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019**

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

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ASX Limited

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Incorporated in Victoria on 13 March 1980**CONTENTS**

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Chairman's Letter

Dear Shareholders

2018/19 saw the cessation of our development-focused activities relating to the Ophir field, offshore Malaysia, as well as the Cornea field offshore Western Australia, and a return to our initial exploration-focused business model.

Octanex's initial business model, implemented successfully for more than 20 years, was to seek prospective acreage and to upgrade that acreage through the development of targets with the intention of attracting international companies as farminees. That model relied on the ability of our farminees to either make an attractive discovery that would re-rate our company or to generate sufficient interest to enable us to continually generate attractive prospects to ensure a flow of farmin deals and capital recoupments until our company was re-rated.

By 2013 we had observed that fundamental changes had appeared in the offshore petroleum industry. We questioned our ability to continue to implement this business model and decided we could no longer rely upon this strategy. Times had changed. We broadened our strategy to include the acquisition of near term production assets. Our involvement in the Ophir development was as a contractor via a 50% interest in Ophir Production Sdn Bhd (OPSB). It was intended to be a country-entry to Malaysia and the cornerstone of the new strategy.

Despite the Ophir development being successfully developed, far under original budget, production was uneconomic and the Risk Service Contract (RSC) under which it had been developed and operated was terminated in June 2018. Pursuant to the RSC, PETRONAS as guarantor under the RSC, was required to assume responsibility for the field, accept novation of contracts and reimburse to OPSB capital and operating costs met by OPSB and not previously reimbursed, and did so.

OPSB had funded the Ophir development via syndicated term loan banking 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) from Sabah International Petroleum (SIP). The PETRONAS reimbursements enabled full repayment of OPSB's banking facilities and also partial repayment of shareholder loans. However, the partial repayment was estimated to be insufficient to enable Octanex to redeem the SIP Convertible Note facility in full. Accordingly, Octanex negotiated with SIP to find a mutually agreed solution and subsequently entered into a Deed of Settlement and Release in March 2019 whereby Octanex in return for certain payments and assignments was released from all of its obligations to SIP pursuant to the Convertible Note Subscription Agreement. Thus, bringing to an end our involvement with the Ophir project.

Our participation in the Cornea field, offshore Western Australia, where we had an 18.75% joint venture interest also came to an end during the year. Our experience in the development of the Ophir field was always considered as a precursor and a test of our ability to develop a marginal oil field like Cornea. While production from Ophir failed, our ability to successfully develop an offshore field, complete with production facilities and FPSO conversion was proven. The big lesson we learned from Ophir was not to underestimate production and reserve risks with a marginal oil field.

Octanex had previously participated in an application for a Retention Lease over the marginal Cornea oil field, which was granted in May 2014 for a five year-term. In order for that Retention Lease to be renewed, the Commonwealth-Western Australia Joint Authority (JA) must be satisfied that the accumulation is “not presently commercial but is likely to be commercially viable within 15 years”. The Cornea JV lodged an application to renew the Retention Lease for a further five years, demonstrating that the field was clearly not presently commercially viable, and identifying the oil price, production and cost parameters necessary for the field to become commercially viable. It identified numerous avenues by which the field’s viability could be improved and proposed a work program focused on strategies for accessing both more oil volumes and lowering the development cost.

A renewal of the Retention Lease would have allowed for the possibility that oil demand would result in oil prices recovering sufficiently over the next five years to meet or exceed the necessary threshold oil price needed to justify any further substantial investment in either drilling or development.

However, following receipt of correspondence regarding the renewal application from the National Offshore Petroleum Titles Administrator (NOPTA), the Joint Venture withdrew its renewal application, having concluded that NOPTA did not support our proposed program and was unlikely to support renewal of the Retention Lease on any reasonable commercial basis, and that, as a result, the JA would therefore be unlikely to grant such renewal other than on non-commercial terms.

During the year we continued evaluation activities in relation to our 100% interest in the Ascalon gas field offshore Western Australia, held via two exploration permits. We fielded some large entity enquiries, but without any continuing interest.

Following the disappointing outcomes at Ophir and Cornea, we have determined that there is more merit in applying our initial business model to other natural resources where future requirements and pricing appear more attractive and where administrators are more supportive and commercially realistic.

We have therefore very recently expanded our strategy to include those natural resources considered to offer potential for creating shareholder value. We have commenced the integration of data aimed at understanding regional geology, including recent government data and research, together with historical exploration results with the objective of targeting large resource exploration project areas with the following attributes:

- proximal to recent discoveries within underexplored parts of proven and neglected provinces;
- major regional faults close to regional anticlines, greenstone belts, domal granite intrusions and fault bends where deposits are known to accumulate;
- undrilled soil anomalies from limited historical company exploration so as to provide an early focus for geophysical assessment, drilling and exploration generally;
- areas with transported cover at depths that still allow for cost-effective geochemical screening for underlying large deposit signatures; and
- hosting structural targets identified from aeromagnetic or other geophysical data.

We can see a future for the Company using our previous successful business model, with the benefit of a markedly reduced risk level.

I extend my thanks to our staff and contractors. I thank my co-directors and shareholders for their ongoing support of Octanex.



E.G. Albers

Chairman

18 October 2019

Operational Review

Assets and Activities Overview

Ascalon Gas, Bonaparte Basin

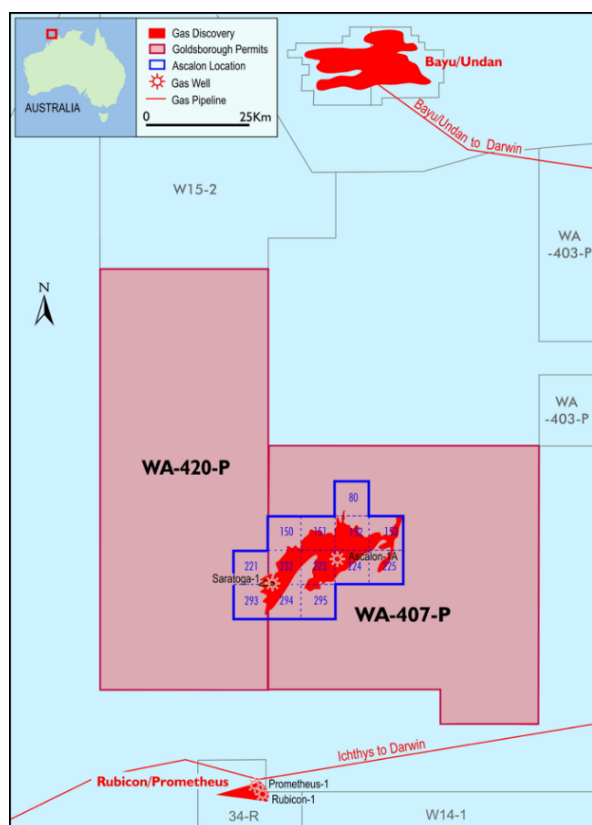


Figure 1 Ascalon gas accumulation location map

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 opportunities for the future development of Ascalon options. Located in shallow water (68 m), wells can be drilled using a jack-up rig, while unmanned wellhead platform development options indicate reduced CAPEX and OPEX potential.

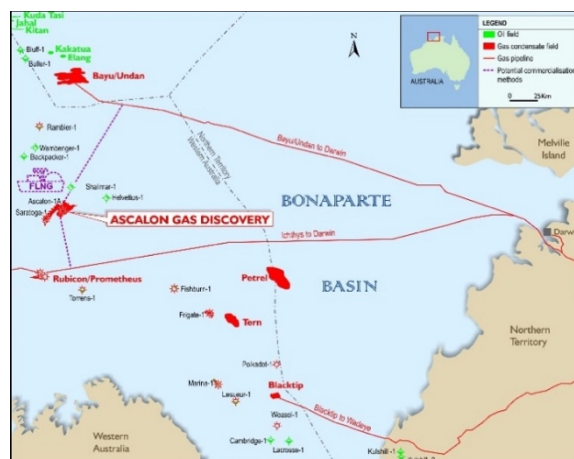


Figure 2 Ascalon proximity to gas infrastructure

Ascalon-1A, drilled in 1995 by Mobil, encountered 155m TVD1 gross section in the same Permian formation as the Petrel and Tern Gas accumulations. However, approximately 60% of the shallower reservoir was not flow tested due to mechanical issues.

Octanex's activities during the quarter included technical studies focussed on support for development of a drilling objective for an Ascalon appraisal well.

During the quarter the Joint Authority granted a variation and nine month suspension and extension for both permits. Octanex continued to seek a joint venture party to join in appraising Ascalon.

Ophir Oil Development Project, Malaysia

In March 2019 Octanex ended its involvement with the Ophir oil development project in Malaysia.

The Ophir field was developed by Ophir Production Sdn Bhd (OPSB) under a Risk Service Contract (RSC) with PETRONAS. Octanex held a 50% shareholding interest in OPSB via its subsidiary, Octanex Pte Ltd.

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, production was short-lived, with the development proving to be uneconomic, and on 6 June 2018 OPSB exercised its right to terminate the RSC, providing PETRONAS with 90 days written Notice of Termination. The RSC provided that following Termination, PETRONAS would assume responsibility for the field, accept novation of contracts and reimburse to OPSB capital and operating costs met by OPSB and not previously reimbursed.

Accordingly, OPSB was relieved of most further project expenditure following novation of FPSO contracts entered into in relation to the project and focussed on project close-out activities, including final operating quarter PETRONAS cost recovery audit, GST reimbursements and loan facility close-out steps. Reimbursement of costs from PETRONAS was structured as three payments pursuant to the RSC.

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). Advances made to OPSB by Octanex and other OPSB shareholders were subordinated to OPSB's Project Financing Facilities, and as such, reimbursements from PETRONAS were directed first to repayment of OPSB's loan facility.

Octanex's contributions to OPSB were partly 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.

The quantum of funds available for repayment of shareholder loans following repayment of OPSB's project financing facilities was estimated to be insufficient to enable redemption of the SIP Convertible Note facility. Accordingly, Octanex and SIP entered into a Deed of Settlement and Release in March 2019 whereby Octanex was released from all of its obligations under the Convertible Note Subscription Agreement. The consideration for the settlement and release was the transfer to SIP of all of the issued shares in Octanex Pte Ltd (the 50% shareholder in OPSB), the assignment to SIP of the benefit of the intercompany debt owed by Octanex Pte Ltd to Octanex, the transfer of funds by Octanex to SIP totaling US\$2,089,449, as well as mutual release of any and all obligations.

This concluded Octanex's activities in connection with the Ophir development project in Malaysia. SIP remains a substantial shareholder of Octanex and is represented on the board by Datuk Kevin How.

Greater Cornea Fields, Browse Basin

The five year term of the WA-54-R Cornea Retention Lease in which Octanex had an 18.75% joint venture interest ended during the year on 5 May 2019.

In order for a Retention Lease to be granted and subsequently renewed, the Commonwealth-Western Australia Joint Authority (JA) must be satisfied that the accumulation is "not presently commercial but is likely to be commercially viable within 15 years".

The Cornea JV initially lodged an application to renew the Retention Lease for a further five years, predicated on the work completed over the initial lease term, especially the last two years of the lease. Its application was accompanied by detailed oil, gas and water production simulation forecasts generated from an integrated reservoir model prepared by a team of independent specialists comprising a petrophysicist, geologists, geophysicists and reservoir engineers. The development concept and cost estimates were prepared by an independent engineering firm.

The Cornea accumulation has had 18 wells drilled into it and its immediate environs. The renewal application and our studies demonstrated that the field is not presently commercially viable, even adopting an extremely cost efficient development concept of a platform and subsea storage unit. The renewal application demonstrated the oil price, production and cost parameters required for the field to be commercially viable. It identified numerous avenues by which the field's commercial viability could be improved. The submission proposed a work program focused on strategies for accessing more oil volumes and lowering the development cost.

A renewal of the Retention Lease would have allowed for the possibility that oil demand would result in oil prices recovering sufficiently over the next five years to meet or exceed the necessary threshold oil price needed to justify any further substantial investment in either drilling or development.

The National Offshore Petroleum Titles Administrator (NOPTA) provided a “request for further information” in relation to the renewal application, as is typical with all titles administration matters. However, this “request” was unusual in that it did not in fact request any information or seek any clarifications. Rather, it advised that “insufficient information has been provided to demonstrate that recovery of petroleum from the lease area is likely to become commercially viable within 15 years, and therefore to support a recommendation to renew Petroleum Retention Lease WA-54-R” with extremely wide and general reasons cited without reference to any of the detailed supporting content provided by the Joint Venture in its renewal application. Having reviewed NOPTA’s “request”, the Joint Venture considered that NOPTA was unlikely to support renewal of WA-54-R and that the JA is therefore unlikely to grant such renewal.

WA-54-R presented an unusual retention lease circumstance, having been granted over an oil accumulation, rather than a gas accumulation. The Cornea JV’s decision to apply for a Retention Lease in 2013 reflected advice from the Joint Authority in early 2013 that it should do so. In September 2013 the Coalition Government’s Policy for Resources and Energy was released with measures aimed at ensuring that Retention Leases are held for “a legitimate need to secure gas for long-lived production projects”. The Cornea JV lodged its application for Retention Lease the next month (October 2013) and WA-54-R was granted in May 2014, reflecting the Joint Authority’s earlier advice to the Cornea JV, notwithstanding the September 2013 policy change.

The Cornea JV believes that NOPTA and the JA intended to apply the September 2013 policy and deny a renewal of the Cornea Retention Lease, despite the Cornea JV’s significant investment in Cornea. This investment includes the drilling of Cornea-3, in which Octanex participated. The Cornea JV increased its investment over the course of the Retention Lease, recently completing an integrated reservoir model in accordance with the work program variation approved by the JA.

Resource exploration

During the year Octanex broadened its strategy; returning to its initial business model as a grass-roots

focussed explorer, but expanding that focus to include other natural resources considered to offer potential for creating shareholder value.

Octanex’s initial business model, implemented successfully over many years, was to seek prospective acreage and to upgrade that acreage through the development of targets with the intention of attracting international companies as farminees. That business model relied on the Company’s ability to either make an attractive discovery that would re-rate the company or to continually generate sufficiently attractive prospects to ensure a flow of farmin deals and capital recoupments. In 2013, in response to changes observed in the petroleum industry which led to the company question its ability to continue to implement its business model, Octanex broadened its strategy to include the acquisition of near term production assets. Following the completion of Octanex’s involvement with the Ophir oil project in Malaysia, Octanex has determined that applying its initial business model to other natural resources has considerable merit.

Octanex has thus expanded its strategy to include the objective of developing green-fields gold exploration projects. To this end it has commenced the integration of data aimed at understanding regional geology, including recent government data and research, together with historical exploration results and is targeting large exploration project areas with the following attributes:

- proximal to recent discoveries within underexplored parts of proven gold provinces;
- major regional faults close to regional anticlines, greenstone belts, domal granite intrusions and fault bends where gold deposits are known to accumulate;
- undrilled gold-in-soil anomalies from limited historical company exploration in order to provide an early focus for drilling and exploration; areas with thin transported cover in order to enable cost-effective geochemical screening for underlying large deposit signatures; and
- hosting structural targets identified from aeromagnetic data

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 2019, 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, 26 September 2019

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Directors' Report

Directors

Mr Geoff Albers LL.B, FAICD*Executive Chairman**Appointed 2 October 1984*

Mr Albers has over thirty five years oil and gas industry experience, having first become involved in oil exploration in 1977. Mr Albers is a law graduate of the University of Melbourne and 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 Peakco Limited (ASX: PKO) and Enege 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 Peakco Limited (ASX: PKO) and Enege 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 Kow How 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, M3energy 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.

Resignation of Directors

G. Guglielmo resigned 17 July 2018. SK Kler resigned 18 July 2019.

Company Secretary**Mr Robert Wright B Bus, CPA**

Mr Wright is a senior financial professional with over 30 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 Peakco Limited. Mr Wright is a member of CPA Australia.

Principal Activities

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

Financial Results

The net loss of the consolidated entity for the financial year was \$4,264,324 (2018: loss of \$21,501,847).

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 interests

On 5 May 2019 WA-54-R expired. On 20 March 2019 Octanex transferred its interest in the Ophir project to Sabah International Petroleum in settlement of a Convertible Note facility used to partly fund Octanex's capital contributions to the Ophir project.

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		Nominations Remuneration Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
EG Albers	2	2	1	1		
RL Clark	2	2	1	1		
KK How	2	1	1	1		
JMD Willis	2	2	1	1		

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 2019 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 2019 to Octanex directors, staff and other individuals.

Number	Expiry Date	Exercise price	Vesting criteria
7,170,000	24 November 2019	\$0.08	No
		2019	2018

Unlisted Options

Balance at beginning of year	13,770,000	21,270,000
Options expired	(6,600,000)	(7,500,000)
Balance at end of year	7,170,000	13,770,000

Convertible Notes

On 20 March 2019, Octanex executed a Deed of Settlement and Release with Sabah International Petroleum ("SIP") in relation to the SIP convertible note facility. Pursuant to the Deed, Octanex was released from all of its obligations under the Convertible Note Subscription Agreement.

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.

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.

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 2019.

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
26 September 2019

Remuneration Report

This Remuneration Report for the year ended 30 June 2019 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 2019 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

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 (2018: \$nil). Total director remuneration (exclusive of consulting fees which are included at note 19) of \$227,074 was paid and payable during the year (2018: \$225,570).

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	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
JMD Willis	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
RL Clark	2019	-	207,374	19,700	-	-	227,074
	2018	-	206,000	19,570	-	-	225,570
S K Kler(1)	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
K How	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
G Guglielmo(1)	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
TOTAL	2019	-	207,374	19,700	-	-	227,074
	2018	-	206,000	19,570	-	-	225,570

(1) G. Guglielmo resigned 17 July 2018. SK Kler resigned 18 July 2019.

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 exercisable
	1/7/2018		30/6/2019	1/7/2018		30/6/2019	30/6/2019
EG Albers(1)	149,247,634	3,125,440	152,373,074	-	-	-	-
RL Clark	57,551	-	57,551	4,300,000	-	4,300,000	4,300,000
G Guglielmo(2)	3,120,000	(3,120,000)	-	940,000	(940,000)	-	-
KK How	50,000	50,000	100,000	880,000	-	880,000	880,000
SK Kler(2)	50,000	(50,000)	-	880,000	(880,000)	-	-
JMD Willis	3,117,382	-	3,117,382	1,750,000	-	1,750,000	1,750,000

(1) Net change in shares for the year is all through on-market purchases.

(2) G. Guglielmo resigned 17 July 2018. SK Kler resigned 18 July 2019.

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 2019 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 13 to 14 of the directors' report, (as part of audited Remuneration Report), for the year ended 30 June 2019, 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
26 September 2019

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 2019, 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 2019 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.

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.

Key audit matter

How our audit addressed the key audit matter

Exploration and Evaluation Assets Valuation (Note 9)

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 have 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; and
- 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 2019, 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* 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 2019.

In our opinion, the Remuneration Report of Octanex Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B L Taylor
Partner – Audit & Assurance

Melbourne, 26 September 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year Ended 30 June 2019

	NOTE	2019 \$	2018 \$
Interest income		4,796	2,061
Other income	2	11,134,972	54,800
Interest and finance costs		(631,760)	(616,419)
Expenses	3	(1,481,458)	(1,360,352)
Impairment of exploration assets	9,26	(7,262,178)	(23,652,138)
Share of loss of Ophir Production Sdn Bhd		(1,756,751)	(2,973,794)
Share of loss of Peakco Limited		-	(11,054)
Impairment of advance to Ophir Production Sdn Bhd	6	(4,270,353)	(607,917)
Loss before tax		(4,262,732)	(29,164,813)
Income tax benefit	4	(1,592)	7,662,966
Net Loss after tax		(4,264,324)	(21,501,847)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operation	15	117,420	636,368
Income tax effect		-	-
Foreign currency translation reserve realised on sale of foreign subsidiaries	15	(1,286,141)	-
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in financial assets at fair value through other comprehensive income	15	(5,308)	(15,923)
Income tax on items of comprehensive income	15	1,592	4,776
Other comprehensive income for the year net of tax		(1,172,437)	625,221
Total comprehensive income for the year		(5,436,761)	(20,876,626)
Basic loss per share (cents per share)	24	(1.756)	(8.857)
Diluted loss per share (cents per share)	24	(1.756)	(8.857)

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 2019**

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	5	1,790,892	1,331,845
Trade and other receivables	6	108,702	140,798
Advance to Ophir Production Sdn Bhd	6	-	10,300,698
TOTAL CURRENT ASSETS		<u>1,899,594</u>	<u>11,773,341</u>
NON-CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	7	17,696	23,004
Exploration and evaluation assets	9	9,382,098	16,399,197
TOTAL NON-CURRENT ASSETS		<u>9,399,794</u>	<u>16,422,201</u>
TOTAL ASSETS		<u>11,299,388</u>	<u>28,195,542</u>
CURRENT LIABILITIES			
Trade and other payables	10	392,928	1,289,241
Provisions	11	131,658	131,886
Derivative financial liability	13	-	109
Borrowings	12	-	10,562,743
TOTAL CURRENT LIABILITIES		<u>524,586</u>	<u>11,983,979</u>
TOTAL LIABILITIES		<u>524,586</u>	<u>11,983,979</u>
NET ASSETS		<u>10,774,802</u>	<u>16,211,563</u>
EQUITY			
Issue capital	14	68,867,927	68,867,927
Reserves	15	207,722	1,380,159
Accumulated losses		(58,300,847)	(54,036,523)
TOTAL EQUITY		<u>10,774,802</u>	<u>16,211,563</u>

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

Consolidated Statement of Changes in Equity Year Ended 30 June 2019

	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 2018	68,867,927	(54,036,523)	(826,125)	1,168,721	1,037,563	16,211,563
Loss after tax	-	(4,264,324)	-	-	-	(4,264,324)
<i>Other comprehensive income</i>						
Exchange differences of translation of foreign operations net of tax	-	-	-	117,420	-	117,420
Foreign currency translation reserve realised on sale of foreign subsidiaries	-	-	-	(1,286,141)	-	(1,286,141)
Changes in fair value on financial assets at fair value through other comprehensive income net of tax	-	-	(3,716)	-	-	(3,716)
Total other comprehensive income	-	-	(3,716)	(1,168,721)	-	(1,172,437)
Total comprehensive income for the year	-	(4,264,324)	(3,716)	(1,168,721)	-	(5,436,761)
At 30 June 2019	68,867,927	(58,300,847)	(829,841)	-	1,037,563	10,774,802

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 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	(32,534,676)	(814,978)	532,353	1,037,563	37,076,601
Loss after tax	-	(21,501,847)	-	-	-	(21,501,847)
<i>Other comprehensive income</i>						
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	(54,036,523)	(826,125)	1,168,721	1,037,563	16,211,563

Consolidated Statement of Cash Flows

Year Ended 30 June 2019

	NOTE	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Administration fees received		49,334	55,836
Interest received		4,796	2,061
Payments to suppliers		(897,075)	(1,091,117)
Net cash outflow from operating activities	(i)	<u>(842,945)</u>	<u>(1,033,220)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to suppliers - exploration		(228,991)	(371,310)
Loans to Ophir Production Sdn Bhd		-	(3,197,351)
Proceeds from loan repayment by Ophir Production Sdn Bhd		4,391,144	-
Proceeds from sale of investments		-	106,302
Net cash inflow / (outflow) from investing activities		<u>4,162,153</u>	<u>(3,462,359)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowing	12	(2,924,092)	-
Proceeds from share issue	14	-	12,071
Cost of share issue	14	-	(483)
Net (outflow) / inflow from financing activities		<u>(2,924,092)</u>	<u>11,588</u>
Net increase / (decrease) in cash and cash equivalents		395,116	(4,483,991)
Exchange gains		63,931	149,057
Cash and cash equivalents at beginning of the year		1,331,845	5,666,779
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	<u>1,790,892</u>	<u>1,331,845</u>
(i) RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH LOSS AFTER INCOME TAX			
Loss after income tax		(4,264,324)	(21,501,847)
<i>Non cash items:</i>			
Borrowing Costs		115,543	126,333
Exchange rate changes on the balances held in a foreign currency		(607,248)	266,425
Employee Provisions expense		(228)	(6,122)
Gain on sale of shares		-	(39,009)
Extinguishment of Convertible Notes		(9,726,131)	-
Share of loss and impairment of Peakco Limited		-	11,054
Share of loss of Ophir Production Sdn Bhd		1,756,751	2,973,794
Finance costs		-	490,086
Impairment of exploration assets	26	7,262,178	23,652,138
Reversal of impairment of OPSB advance		4,270,353	607,917
<i>Changes in assets and liabilities:</i>			
Decrease in receivables		(83,447)	40,878
Decrease in tax liabilities		1,592	(7,662,969)
Increase in payables		432,016	8,102
Net Cash outflow from Operating Activities		<u>(842,945)</u>	<u>(1,033,220)</u>

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

Notes to the Financial Statement

30 June 2019

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 2019 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 25. The financial report was authorised by the directors for issue on 26 September 2019.

(a) Statement of compliance

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

(b) Basis of preparation

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

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

basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(q). The accounting policies set out below have been applied consistently to all periods presented in the financial report.

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

The company has adopted all new and revised Australian Accounting Standards and Interpretations that became effective for the first time and are relevant to the company. The adoption of the new and revised Australian Accounting Standards and Interpretations, including AASB 15 Revenue from Contracts with Customers, has had no impact on the company's accounting policies or the amounts reported during the current year.

(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(l) for further details on the impact of the change in accounting policy. The entity is now adopting the final version of AASB 9 (2014 version), including impairment requirements. 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 2019

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.

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. 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 together with long-term interests that in substance form part of the entity's net investment in the associate or joint venture. 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

The interest of the company and of the consolidated entity in unincorporated joint operations and joint operated 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 unincorporated joint operations and assets are prepared for the same reporting period as the parent company using consistent accounting policies.

Notes to the Financial Statement

30 June 2019

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 2019

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.

(j) Trade and other receivables (relates to period ending 30 June 2018 and earlier)

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 or significant delay in payment) that the company will not be able to collect all amounts due according to the original terms.

(k) Trade and other receivables and contract assets (relates to period beginning 1 July 2018)

The company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

(l) 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 2019

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.

(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.

(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.

Notes to the Financial Statement

30 JUNE 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 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 farm-in arrangements are credited against exploration costs previously capitalised. Any excess of the proceeds over costs recouped are accounted for as a gain on disposal.

Farmouts in the exploration and evaluation phase

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

(q) Accounting estimates and judgements

Management determine the development, selection and disclosure of the company's critical accounting

policies and estimates and the application of these policies and estimates.

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 16).

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

Per Note 1(p), management exercises judgement as to the recoverability of exploration expenditure. Any judgment may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes, once activities in the area of interest have reached a stage which permits a reasonable assessment of technical feasibility and commercial viability, that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off through the statement of profit or loss and other comprehensive income.

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

Notes to the Financial Statement

30 JUNE 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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:

(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.

Equity settled transactions

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

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

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

statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

(t) Fair value

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

Fair values for financial instruments traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price and the quoted market price. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at reporting date. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

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

(u) Convertible Notes

The conversion feature of the convertible notes represents an embedded derivative (Note 13) in a host liability (Note 12). 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.

Notes to the Financial Statement**30 JUNE 2019****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(v) Earnings per Share***Basic earnings per share*

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

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

Diluted earnings per share

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

(w) New and revised accounting standards issued not yet effective

The Directors do not believe that new and revised standards issued by AASB (that are not as yet effective, will have any material financial impact on the financial statements, including AASB 16 Leases, which does not apply to leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources

Notes to the Financial Statement

30 JUNE 2019

NOTE 2 OTHER INCOME

	NOTE	2019 \$	2018 \$
Sundry income – director related	19(ii)	122,700	54,800
Foreign currency translation reserve realised on sale of foreign subsidiary		1,286,141	-
Extinguishment of Convertible Notes	12	<u>9,726,131</u>	<u>-</u>
Total income		<u>11,134,972</u>	<u>54,800</u>

NOTE 3 EXPENSES

Audit fees	21	45,647	62,004
Consulting		9,531	37,058
Foreign exchange Loss		561,531	343,269
Management fees		40,000	23,000
Reporting, registry and stock exchange		28,115	36,692
Office expenses		199,472	220,657
Other expenses		112,034	168,279
Project costs		(3,156)	89,006
Salaries		488,284	380,387
Total expenses		<u>1,481,458</u>	<u>1,360,352</u>

NOTE 4 INCOME TAX

Components of income tax benefit

<i>Current tax expense</i>			
Current period		1,592	(7,662,966)
<i>Deferred tax expense</i>			
Origination and reversal of temporary differences		-	-
Total		<u>1,592</u>	<u>(7,662,966)</u>

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 2019

	NOTE	2019 \$	2018 \$
NOTE 4 INCOME TAX (CONTINUED)			
Reconciliation between tax benefit and pre-tax loss			
Loss before tax		(4,262,732)	(29,164,813)
Income tax benefit using statutory income tax rate of 30%		(1,278,820)	(8,749,444)
Tax effect of adjustment recognised in the period for:			
Prospectus costs		(3,005)	(3,005)
Tax losses not brought to account		2,216,557	(282,682)
Non-assessable income		(3,421,806)	(4,237)
Equity accounted loss – non deductible		524,025	892,138
Impairment of OPSB advance – non deductible		1,796,292	182,375
Other non-deductible expenses		168,349	301,889
Income tax benefit		<u>1,592</u>	<u>(7,662,966)</u>
Unrecognised deferred tax asset			
The estimated deferred tax asset arising from tax losses and temporary differences not brought to account at balance date as realisation of the benefit is not probable:			
Tax losses carried forward		5,937,726	5,010,389
Temporary differences		(2,765,278)	(4,904,677)
		<u>3,172,448</u>	<u>105,712</u>
Franking credit balance:			
Franking account balance as at end of year		<u>1,741,532</u>	<u>1,741,532</u>
NOTE 5 CASH AND CASH EQUIVALENTS			
Cash at bank and on hand		<u>1,790,892</u>	<u>1,331,845</u>
Cash at bank and on hand includes Nil held with the OCBC Bank in Singapore (2018: \$458,019). Financing arrangements with Sabah International Petroleum ceased during the year.			
Cash and cash equivalents are subject to interest rate risk as they earn floating rates. In the year to 30 June 2019 the average floating rate for the consolidated entity was 1.2% (2018: 0.12%). Details of interest rate risk and sensitivity can be found in Note 20. At 30 June 2019 all bank deposits are at call.			
NOTE 6 TRADE AND OTHER RECEIVABLES			
Current			
Other receivables		15,012	126,526
Director-related entities - other receivables	19(ii)	93,690	14,272
Advance to Ophir Production Sdn Bhd (1)		-	10,300,698
		<u>108,702</u>	<u>10,441,496</u>

The carrying amount of all receivables is equal to their fair value as they are short term. At 30 June 2019 no receivables are impaired or past due. All receivables are non-interest bearing.

Notes to the Financial Statement

30 JUNE 2019

		Consolidated	
	NOTE	2019	2018
		\$	\$

NOTE 6 TRADE AND OTHER RECEIVABLES (Continued)

(1) On 20 March 2019, Octanex executed a Deed of Settlement and Release with Sabah International Petroleum ("SIP") in relation to the SIP convertible note facility. Pursuant to the Deed of Settlement and Release, Octanex has been released of its obligations under the Convertible Note Subscription Agreement (Note 12). In consideration for the release from the Convertible Notes obligation, Octanex transferred to SIP of all of the shares in Octanex Pte Ltd (the 50% shareholder in Ophir Production Sdn Bhd "OPSB" (Note 8)) and assigned to SIP the benefit of any future repayments of the Advance to OPSB. The value of the advance at 20 March 2019 was \$4,270,353 and was fully impaired at that date.

NOTE 7 OTHER FINANCIAL ASSETS (NON-CURRENT)**Financial Assets at fair value through other comprehensive income**

Investment in director-related equities	7(a)(b)	17,695	23,003
At cost:			
Shares in controlled entities	7(c)	1	1
		<u>17,695</u>	<u>23,004</u>
(a) Director-related Entities:			
<i>Enegex Limited</i>		17,696	23,003
Principal activity is oil and gas exploration (Note 21)			
(b) Reconciliation of the carrying amount of Financial Assets at fair value through other comprehensive income			
Balance at beginning of year		23,003	38,927
Net revaluation increment (decrement)		<u>(5,308)</u>	<u>(15,924)</u>
		<u>17,695</u>	<u>23,003</u>
Details of market price risk and sensitivity can be found in Note 20.			
(c) Shares in Controlled Entities			
<i>United Oil & Gas Pty Ltd</i>		1	1

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

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

Notes to the Financial Statement

30 JUNE 2019

NOTE	Consolidated	
	2019	2018
	\$	\$

NOTE 8 INVESTMENT IN A JOINT VENTURE COMPANY

The consolidated entity had a 50% interest in Ophir Production Sdn Bhd (OPSB), a joint venture company, incorporated in Malaysia and previously involved with offshore oilfield development in Malaysia.

Pursuant to the terms of a Deed of Settlement and Release signed 20 March 2019 Octanex transferred to Sabah International Petroleum Ltd (SIP) all of the issued shares in Octanex Pte Ltd, its former subsidiary, the 50% shareholder in Ophir Production Sdn Bhd (OPSB). This transfer concluded Octanex's activities in connection with the Ophir development project in Malaysia.

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)
Cost of OPSB equity investment	-	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)

OPSB – Commitments

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

Payable not later than one year	-	9,507,709
Payable later than one year but not later than three years	-	-
	-	9,507,709

Notes to the Financial Statement

30 JUNE 2019

		Consolidated	
	NOTE	2019	2018
		\$	\$
NOTE 9 EXPLORATION AND EVALUATION ASSETS			
Carrying amount at beginning of year		16,399,197	39,657,763
Impairment of exploration assets	26	(7,262,178)	(23,652,138)
Cost incurred during the year		245,079	393,572
Carrying amount at end of year		9,382,098	16,399,197

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 as shown in the table below:

30/06/2019	30/06/2018	Notes
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Exploration Permits

WA-407-P	WA-407-P	<i>Held by wholly-owned subsidiary, Octanex Bonaparte Pty Ltd</i>
WA-420-P	WA-420-P	<i>Held by wholly-owned subsidiary, Octanex Bonaparte Pty Ltd</i>
-	WA-387-P	<i>Permit cancelled 5 February 2019</i>

Retention Lease

-	WA-54-R	<i>Permit expired 5 May 2019.</i>
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NOTE 10 TRADE AND OTHER PAYABLES

Financial liabilities at amortised cost

Current

Trade creditors and accruals		57,348	998,814
Director-related entities - other payables	19	335,580	290,427
		<u>392,928</u>	<u>1,289,241</u>

Trade and other payables are current liabilities of which the fair value is equal to the current carrying amount. Information about the company's exposure to foreign exchange risk in relation to trade payables, including sensitivities to changes in foreign exchange rates, is provided in Note 20.

Notes to the Financial Statement

30 JUNE 2019

NOTE	Consolidated	
	2019	2018
	\$	\$
NOTE 11 PROVISIONS		
<i>Current</i>		
Annual Leave	8,906	9,503
Directors' retirement benefit (1)	82,125	82,125
Long service leave	40,627	40,258
	<u>131,658</u>	<u>131,886</u>

(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 28 years of service EG Albers has provided to the company.

NOTE 12 CURRENT BORROWINGS

On 20 March 2019, Octanex executed a Deed of Settlement and Release with Sabah International Petroleum ("SIP") in relation to the SIP convertible note facility. Pursuant to the Deed, Octanex was released from all of its obligations under the Convertible Note Subscription Agreement.

Convertible notes

Carrying amount at beginning of year	10,562,743	10,162,204
Repayment of convertible notes	(2,924,092)	-
Movements in exchange rates	673,778	423,559
Reversal of interest accrued	1,344,416	-
Effective Interest expense	514,109	876,573
Less interest paid / accrued	(444,823)	(899,593)
Extinguishment of convertible notes	<u>(9,726,131)</u>	
Carrying amount at end of year	<u>-</u>	<u>10,562,743</u>

	Consolidated	
	2019	2018
	\$	\$

NOTE 13 DERIVATIVE FINANCIAL LIABILITY

Convertible notes

At inception	264,564	264,564
Changes in fair value	<u>(264,564)</u>	<u>(264,455)</u>
Balance at end of year	<u>-</u>	<u>109</u>

Notes to the Financial Statement

30 JUNE 2019

NOTE 14 CONTRIBUTED EQUITY

Issued Capital	2019 Shares	2018 Shares	2019 \$	2018 \$
Ordinary shares fully paid (a)	242,823,840	242,823,840	68,867,927	68,867,927
Ordinary shares issued pursuant to trustee stock scheme(b)	29,889,107	29,889,107	-	-
Balance at end of year	<u>272,712,947</u>	<u>272,712,947</u>	<u>68,867,927</u>	<u>68,867,927</u>
<i>(a) Ordinary shares fully paid</i>				
Balance at beginning of year	242,823,840	242,712,947	68,867,927	68,856,339
Trustee shares sold	-	110,893	-	12,071
Issue costs	-	-	-	(483)
Balance at end of year	<u>242,823,840</u>	<u>242,823,840</u>	<u>68,867,927</u>	<u>68,867,927</u>
<i>(b) Ordinary Shares Issued Pursuant to Trustee Stock Scheme</i>				
Balance at beginning of year	29,889,107	30,000,000	-	-
Trustee shares sold	-	(110,893)	-	-
Balance at end of year	<u>29,889,107</u>	<u>29,889,107</u>	<u>-</u>	<u>-</u>

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 2019

NOTE 14 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
7,170,000	24 November 2019	\$0.08	No

	2019 Options	2018 Options
Unlisted Options		
Balance at beginning of year	13,770,000	21,270,000
Options expired / cancelled	(6,600,000)	(7,500,000)
Balance at end of year	<u>7,170,000</u>	<u>13,770,000</u>

NOTE 15 RESERVES

	NOTE	Consolidated 2019 \$	2018 \$
Financial assets at fair value through other comprehensive income reserve		(829,841)	(826,125)
Option reserve		1,037,563	1,037,563
Foreign currency translation reserve		-	1,168,721
		<u>207,722</u>	<u>1,380,159</u>

Financial assets at fair value through other comprehensive income reserve

Balance at beginning of financial year	(826,125)	(814,978)
Changes in fair value on financial assets at fair value through other comprehensive income	(5,308)	(15,923)
Income tax on other comprehensive income	1,592	4,776
	<u>(829,841)</u>	<u>(826,125)</u>

The financial assets at fair value through other comprehensive income reserve represents the changes in fair value on the group's equity instruments including realised gains or losses on those investments. Further information on the investments is set out in Notes 7 and 20.

Notes to the Financial Statement

30 JUNE 2019

NOTE	Consolidated	
	2019	2018
	\$	\$

NOTE 15 RESERVES (CONTINUED)

Option reserve

Balance at beginning of financial year	1,037,563	1,037,563
Share based payment expense	-	-
	<u>1,037,563</u>	<u>1,037,563</u>

The options reserve relates to share options granted to the company secretary, the directors and individuals.

Foreign currency translation reserve

Balance at beginning of financial year	1,168,721	532,353
Movement for the year	<u>(1,168,721)</u>	<u>636,368</u>
	<u>-</u>	<u>1,168,721</u>

The foreign currency translation reserve relates to the consolidation of foreign currency denominated fully owned subsidiary entities. All foreign denominated entities have been disposed of as at 30 June 2019.

NOTE 16 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:

Payable not later than one year	99,400	193,750
Payable later than one year but not later than three years	-	-
	<u>99,400</u>	<u>193,750</u>

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 17 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	2019 Interest	2018 Interest	Permits
Cornea	18.75%	18.75%	WA-54-R
Permit expired 5 May 2019.			

Notes to the Financial Statement

30 JUNE 2019

		Consolidated	
	NOTE	2019	2018
		\$	\$

NOTE 17 INTEREST IN UNINCORPORATED JOINT OPERATIONS (CONTINUED)

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

CURRENT ASSETS

Cash and cash equivalents		5,887	4,477
Receivables		1,408	492

NON-CURRENT ASSETS

Exploration and evaluation assets	9	-	7,241,291
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CURRENT LIABILITIES

Payables	10	4,269	248
Payables – director-related entity	10, 19	1,741	5,078

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:

Payable not later than one year	-	93,750
Payable later than one year but not later than three years	-	-
	<u>-</u>	<u>93,750</u>

NOTE 18 KEY MANAGEMENT PERSONNEL

Executive Directors Non-Executive Directors

EG Albers	KK How
RL Clark	JMD Willis

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	2019	-	207,737	19,700	-	-	227,437
	2018	-	206,000	19,570	-	-	225,570

Notes to the Financial Statement

30 JUNE 2019

NOTE 19 RELATED PARTY DISCLOSURES

The consolidated financial statements of the Group include:

Name	2019 Interest	2018 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 (1)	0%	100%	Singapore
Octanex Operations Pty Ltd	100%	100%	Australia
Strata Resources Pty Ltd	100%	100%	Australia
Octanex Exmouth Pty Ltd	100%	100%	Australia

(1) Pursuant to the terms of a Deed of Settlement and Release signed 20 March Octanex transferred to Sabah International Petroleum Ltd (SIP) all of the issued shares in Octanex Pte Ltd, its former subsidiary, the 50% shareholder in Ophir Production Sdn Bhd (OPSB).

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		Payable at	
			2019 \$	2018 \$	30/06/19 \$	30/06/18 \$
Exoil Pty Ltd	EG Albers	Office services and amenities in Melbourne	199,723	222,176	56,542	58,378
Natural Resources Group Pty Ltd	EG Albers	Management and administration services	33,938	46,750	279,038	231,924
Upstream Consulting Limited	JMD Willis	Management services to Ophir project	-	6,500	-	-
Petroleum Advisors	G Guglielmo	Management services to Ophir project	-	16,700	-	-
Samika Pty Ltd	RL Clark	Management of retention lease	1,595	2,962	-	125
			235,256	295,008	335,580	290,427

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 2019

NOTE 19 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		Receivables	
		2019	2018	30/06/19	30/06/18
		\$	\$	\$	\$
Enegex Limited	EG Albers	21,475	11,010	10,225	5,043
Exoil Pty Ltd	EG Albers	20,625	-	8,580	-
Cornea Resources Pty Ltd	EG Albers	1,885	13,125	1,885	770
Cue Petroleum Pty Ltd	EG Albers	18,865	-	10,285	-
Ophir Production Sdn Bhd	Note 19 (iii))	-	122,050	-	-
Peako Limited	EG Albers (Note 19 (iv))	59,850	18,615	62,715	8,459
		122,700	164,800	93,690	14,272

(iii) Advance to OPSB

Pursuant to a Deed of Settlement and Release, signed 20 March 2019, Octanex was released from all of its obligations under the Convertible Note Subscription Agreement (Note 12). The consideration for the settlement and release was the transfer to SIP of all of the issued shares in Octanex Pte Ltd (the 50% shareholder in OPSB), the assignment to SIP of the benefit of the intercompany debt owed by Octanex Pte Ltd to Octanex, the transfer of funds by Octanex to SIP totalling US\$2,089,449, as well as mutual release of any and all obligations. As a result the value of the Advance to OPSB at 30 June 2019 was \$nil (2018: \$10,300,698).

(iv) Investments in director-related companies

At 30 June 2019, the company carried an investment in an ASX listed company Enegex Limited, (Note 7), which is a director-related entity of EG Albers.

Notes to the Financial Statement

30 JUNE 2019

	NOTE	2019 \$	2018 \$
NOTE 20 FINANCIAL INSTRUMENTS			
Categories of Financial Instruments			
Financial Assets			
Cash & cash equivalents		1,790,892	1,331,845
At fair value through other comprehensive income		17,696	23,004
Trade and other receivables – current ex prepayments		108,892	25,145
Trade and other receivables – non current	6	-	10,300,698
		<u>1,917,480</u>	<u>11,680,692</u>
Financial Liabilities			
Financial Liabilities at amortised cost			
Trade and other payables		392,928	1,289,241
Convertible Notes	12	-	10,562,743
At fair value through profit and loss		-	109
		<u>392,928</u>	<u>11,852,093</u>

Recognition and derecognition

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

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

Fair value

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

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

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

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

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

The consolidated entity's financial assets measured and recognised at fair value at 30 June 2019 and 30 June 2018 on a recurring basis are as follows:

Notes to the Financial Statement

30 JUNE 2019

NOTE 20 FINANCIAL INSTRUMENT (Continued)

30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Listed securities and debentures	17,696	-	-	17,696
<i>Liabilities</i>				
Derivative financial liability	-	-	-	-
Net fair value	<u>17,696</u>	<u>-</u>	<u>-</u>	<u>17,696</u>
 30 June 2018	 Level 1 \$	 Level 2 \$	 Level 3 \$	 Total \$
<i>Assets</i>				
Listed securities and debentures	23,004	-	-	23,004
<i>Liabilities</i>				
Derivative financial liability	-	-	(109)	(109)
Net fair value	<u>23,004</u>	<u>-</u>	<u>(109)</u>	<u>22,895</u>

Credit risk

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

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 (2018: \$9,323).

Notes to the Financial Statement

30 JUNE 2019

NOTE 20 FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is monitored to ensure sufficient monies are available to meet contractual obligations as and when they fall due.

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

Consolidated	Carrying Amount \$	Contractual cash flows \$	0-12 months \$	1-2 years \$	2-10 years \$
30 June 2019					
<i>Non-derivative Financial Liabilities</i>					
Trade and other payables	392,928	392,928	392,928	-	-
Convertible notes	-	-	-	-	-
	<u>392,928</u>	<u>392,928</u>	<u>392,928</u>	<u>-</u>	<u>-</u>
	Carrying Amount \$	Contractual cash flows \$	0-12 months \$	1-2 years \$	2-10 years \$
30 June 2018					
<i>Non-derivative Financial Liabilities</i>					
Trade and other payables	1,289,241	1,289,241	1,289,241	-	-
Convertible notes	10,562,743	11,428,661	11,428,661	-	-
	<u>11,851,984</u>	<u>12,717,902</u>	<u>12,717,902</u>	<u>-</u>	<u>-</u>

Foreign currency risk

The consolidated entity is exposed to foreign currency risk arising from purchases of goods and services that are denominated in a currency other than the Australian dollar functional currency. 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 2019 the consolidated entity has a foreign currency exposure by holding US dollars in bank accounts totalling US\$63 (2018: \$878,656) and an advance to Ophir Production Sdn Bhd of US\$nil (2018: US\$13,262,098) and borrowings of US\$nil (2018: US\$8,000,000). A one cent movement in the USD/AUD exchange rate would move consolidated equity by AUD\$2 (2018: \$77,638).

Notes to the Financial Statement

30 JUNE 2019

NOTE 20 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.

	2019 \$	2018 \$
Financial Assets at fair value through other comprehensive income		
<i>Investments in listed equities</i>		
Energex Limited	17,696	23,004

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 \$1,770 (2018: \$2,300). 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 21 AUDITOR'S REMUNERATION

	2019 \$	2018 \$
Amounts received or due and receivable by:		
Grant Thornton Audit Pty Ltd - Auditor of the consolidated entity and company	45,647	52,000
<i>Related practices of the parent company auditor</i>		
<i>Audit and review of the financial reports</i>		
Grant Thornton Singapore - Auditor of Octanex Pte Ltd	-	8,631
	<u>45,647</u>	<u>60,631</u>

NOTE 22 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 2019

NOTE 23 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 24 LOSS PER SHARE

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

	2019 \$	2018 \$
Net loss	(4,262,732)	(21,501,847)
	Number of Shares	Number of Shares
Weighted average number of shares	242,766,840	242,766,840

Unlisted options outstanding during the year (Refer Note 14) are not dilutive at the 30th June 2019 as the exercise price is higher than the average share price for the year then ended.

NOTE 25 PARENT ENTITY INFORMATION

The following details information related to the parent entity, Octanex Limited at 30 June 2019. 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	1,896,283	11,771,085
Non-current assets	21,958,213	27,670,938
Total assets	<u>23,854,496</u>	<u>39,442,023</u>
Current liabilities	516,564	11,946,597
Non-current liabilities	13,013,440	12,447,135
Total liabilities	<u>13,530,004</u>	<u>24,393,732</u>
Contributed equity	68,867,927	68,867,927
Options reserve	1,037,563	1,037,563
Financial assets at fair value through other comprehensive income reserve	(639,113)	(639,113)
Accumulated losses	<u>(58,941,885)</u>	<u>(54,218,066)</u>
Total equity	<u>10,324,492</u>	<u>15,048,311</u>
Loss for the year	(4,723,819)	(40,902,064)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>(4,723,819)</u>	<u>(40,902,064)</u>

No dividends were paid by the parent entity in 2019 (2018: Nil).

Notes to the Financial Statement**30 JUNE 2019****NOTE 25 PARENT ENTITY INFORMATION (Continued)**

	2019 \$	2018 \$
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
Payable later than one year but not later than three years	-	-
	<u>-</u>	<u>51,250</u>

NOTE 26 IMPAIRMENT OF EXPLORATION AND EVALUATION ASSET

On 5 May 2019 WA-54-R expired. Capitalised exploration and evaluation costs of \$7,262,178 were written off.

Shareholder Information (compiled as at 16 October 2019)

Ordinary share capital

As at 16 October 2019 the company had on issue the following shares:

Fully Paid Ordinary Shares	Trustee Shares
272,712,947 held by 1,356 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 16 October 2019 the company had on issue 7,170,000 options held by 6 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	171	53,556	0.02%
1,001 - 5,000	628	1,593,287	0.58%
5,001 - 10,000	135	1,067,710	0.39%
10,001 - 100,000	322	11,212,107	4.11%
Over 100,000	100	258,786,287	94.89%
Totals	1,356	272,712,947	100.00%

* Based on the price per security, number of holders with an unmarketable holding: 1,198

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	155,019,083	56.84
Sabah International Petroleum	40,332,663	14.79

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.

OCTANEX LIMITED

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Twenty largest shareholders as at 16th October 2019*

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	17,297,794	6.34%
Sacrosanct Pty Ltd	14,436,081	5.29%
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%
Sequest Petroleum Pty Ltd	2,248,000	0.82%
Wilstermere Corporation Pty Ltd	2,106,500	0.77%
Total Top 20	201,183,843	73.77%

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