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18th February 2010

## RELEASE

### OCTANEX N L ANNOUNCES CONDITIONAL BID FOR ORION PETROLEUM LIMITED

Octanex N.L. ("Octanex") (ASX Code: OXX) announces that it intends to make a conditional offer to acquire all of the ordinary shares in the capital of Orion Petroleum Limited ("Orion") (ASX Code: OIP).

Annexed to this announcement is an Investor Overview relating to Octanex, its current activities and financial position as released to ASX Limited earlier today. Orion members, in particular, should refer to that annexure for more detailed information concerning Octanex.

Octanex currently holds 10,972,923 shares in Orion representing approximately 7.079% of Orion's issued capital and strongly opposes the proposed merger of Orion with Gas2Grid Limited ("Gas2Grid") (ASX Code: GGX).

Although Octanex is also a shareholder in Gas2Grid, holding 6,140,000 shares representing approximately 3.354% of Gas2Grid's issued capital, Octanex is making this offer to protect its investment in Orion and to provide Orion shareholders with an alternative to accepting the proposed merger with Gas2Grid. Octanex considers that the terms of the proposed merger with Gas2Grid are highly unfavourable to Orion shareholders.

**Under the offer, Octanex will offer one (1) Octanex share for every six (6) Orion shares ("the Offer").**

If Octanex receives acceptances from Orion shareholders to enable it to proceed to compulsory acquisition, or it is otherwise required by the Corporations Act to do so, it will offer to acquire all outstanding 115,000,000 listed Orion Options (exercisable on 30 September 2010 at an exercise price of 30 cents) and all 4,950,000 unlisted Orion Options (exercisable on various dates between 30 September 2010 and 20 March 2012 and at various exercise prices between 12 cents and 30 cents), on appropriate terms.

**The Octanex Offer implies an Offer price of 7.25 cents cash for an Orion Share (based on the volume weighted average price of Octanex shares of \$0.435 per share over the last 30 days on which shares in Octanex were traded on ASX Limited prior to close of business on Wednesday 17 February 2010.**

**The closing price of Orion shares on Wednesday, 17 February 2010 was \$0.071 (7.1 cents) per Orion share.**

### WHY ORION SHAREHOLDERS SHOULD VOTE AGAINST THE GAS2GRID MERGER

Orion members are currently faced with the prospect of merging with Gas2Grid under proposed schemes of arrangement to be voted on by the members and optionholders in Gas2Grid Limited on 24 February 2010, with a meeting of the members of Orion being held on 23 February 2010 to approve the issue of Orion securities and enable the proposed merger to be implemented.

Additional information has been despatched by Orion to its members for their consideration and has only been received by Octanex in the mail today. This information does not include hard copies of the correspondence from Menzies & Partners to BDO, Grant Thornton and Mulready Consulting Services Pty Ltd complaining of various matters relating to the proposed merger of Orion and Gas2Grid. This recently mailed material gives Orion shareholders only minimal time to:

- access that correspondence from Orion's website at [www.orionpetroleum.com.au](http://www.orionpetroleum.com.au);
- properly consider the matters raised in that correspondence; and,
- then obtain and lodge proxies opposing the passing of the resolutions to be put to the meeting.

**No additional proxy form was forwarded to Orion shareholders with the information despatched to them by Orion. Proxy forms are available from Orion's share registry at [registries@registries.com.au](mailto:registries@registries.com.au) but must be completed and returned to Registries Limited, GPO Box 3993, Sydney, NSW 2001 or faxed to +61 2 9290 9655 by 11.00am on Sunday 21 February 2010 to be valid. No street address for delivery to Registries Limited has been provided.**

**Orion shareholders have minimal time to access the additional information, consider it and decide how to vote in relation to the resolutions being put to them. The outcome of those resolutions will materially alter the future of their company.**

**If the proposed merger with Gas2Grid proceeds, the approximate \$11.8 million in cash presently held by Orion will be dissipated within 12 months after the merger for what will be, in Octanex's opinion, no material benefit to Orion or its shareholders.**

The Gas2Grid scheme booklet notes at page 11 that "***although the merged group will have funds to pursue planned exploration activities, those funds will only be sufficient to fund work programs in the immediate future (i.e. over the next twelve months). After such period, the merged group may need to raise additional debt or equity funding to maintain its work programs.***"

According to the Gas2Grid Appendix 5B for the quarter ended 31 December 2009, Gas2Grid had only \$969,000 cash at bank at 31 December 2009. This figure does not take into account liabilities already incurred by Gas2Grid for work carried out on its tenements, including the costs of the aeromagnetic survey over the St Griede licence in France and work carried out on SC 44 in the Philippines, as announced by Gas2Grid. It does not take into account the costs incurred to date by Gas2Grid in the merger, or accrued and ongoing corporate costs.

The Appendix 5B indicates that, as matters stand, Gas2Grid has minimal prospect of meeting its liabilities, present and future, without raising significant new debt or equity funding. If the merger proceeds, a substantial portion of Orion's significant cash holdings (\$11,802,000 as at 31 December 2009) are intended to be applied for the purpose of enabling Gas2Grid to meet its liabilities (which liabilities Gas2Grid may not otherwise be able to meet).

Any additional capital raising will dilute existing Orion shareholders. Further, whether Orion, if it merges with Gas2Grid, will be able to raise additional capital and at what price is unknown at this time. Without drilling success the price at which any additional capital is raised by Orion is likely to be low.

The independent valuation of Gas2Grid's tenements is, in Octanex's opinion, defective as the information provided in the report is not sufficient for any person reading the report to be able to draw any reasonable conclusion concerning the validity or accuracy of the value of Gas2Grid's tenements and therefore the value of Gas2Grid's shares. In the opinion of Octanex, the Gas2Grid tenements are not worth the value ascribed to them in the independent valuation, and as a result of the limited information in the valuation report, the Orion shareholders are, effectively, asked to take the valuation at face value.

Orion shareholders should note that Orion's independent expert, BDO, has stated that all three independent directors of Orion, out of a board of five directors, resigned in October 2009 "***as a result of a disagreement between the directors and ESG (Orion's major shareholder) as to the direction of the company, and the benefits of potential mergers***". Octanex assumes that this is a reference to the proposed merger with Gas2Grid.

The primary beneficiaries of the proposed merger of Orion with Gas2Grid are the major shareholders in Gas2Grid, which include entities associated with Mr Dennis Morton and Mr David King. Mr King is a director of Eastern Star Gas Limited ("ESG") and interests associated with him have significant interests in both Gas2Grid and ESG. Mr Morton was previously a director of, and managing director of, ESG and holds significant shareholdings in both ESG and Gas2Grid.

Orion shareholders should further note that Mr Russell Langusch, a director of Orion, is a related party of each of Gas2Grid and Orion and, although classified by Orion as independent, cannot, in Octanex's opinion, be considered as independent. Mr Langusch was, until recently, a director of Gas2Grid and was appointed to the Orion board on 2 October 2009. He resigned from the board of Gas2Grid on 9 October 2009: less than a week before the merger proposal was announced.

## WHY ORION SHAREHOLDERS SHOULD ACCEPT OCTANEX'S OFFER

In contrast to the proposed merger with Gas2Grid, if Orion shareholders accept the Octanex offer they will hold a direct interest in a company which presently has significant cash resources, attractive assets, including participation in joint ventures with the Australian subsidiaries of world class operators, such as ENI SpA and OMV Aktiengesellschaft, and has significant commercial arrangements with Shell Development (Australia) Pty Ltd. Refer to the attached Investor Overview for more detail.

The Octanex Offer presents Orion shareholders with an attractive alternative to accepting the "merger" with Gas2Grid which, in Octanex's opinion, overwhelmingly benefits Gas2Grid shareholders at the expense of Orion shareholders, and is only in the interests of the Gas2Grid securityholders, not Orion shareholders.

The Octanex offer is subject to the conditions set out below. The two main conditions are:

- the proposed merger with Gas2Grid Limited is not implemented. **If Orion shareholders want to have the opportunity to accept Octanex's offer, they should vote against the resolutions to be put to the meeting of Orion's shareholders being held on Tuesday, 23 February 2010 at 11 am (Sydney time) at level 3, suite 303, 10 Bridge Street, Sydney, NSW.**
- That, at the end of the offer period, Orion has available cash resources of not less than \$11,000,000 (or such lesser amount as Octanex may stipulate prior to the end of the offer period).

## CONDITIONS OF THE OFFER, DOCUMENTATION AND TIMING

In addition to the above conditions, the Offer is subject to customary conditions, including a 50.1% minimum acceptance condition.

Refer to Annexure 1 for a detailed description of the Offer conditions.

Provided either:

- (a) the Gas2Grid shareholders and/or Orion shareholders do not approve the requisite resolutions to approve the merger of Orion and Gas2Grid; or
- (b) the Federal Court of Australia does not approve the coming into effect of the proposed schemes of arrangement between Gas2Grid and its shareholders and Gas2Grid and its Optionholders in Matter Number NSD 1372 of 2009 in the Federal Court of Australia in Sydney,

Octanex will lodge its Bidder's Statement with ASIC and despatch its Offer within two months of the date of this announcement, as required by section 631 of the Corporations Act.

Orion shareholders with questions regarding the proposed offer by Octanex should contact Mr J Tuohy, the Company Secretary of Octanex, on (03) 8610 4712 from within Australia or +61 3 8610 4712 from outside Australia.

Octanex is being advised by Minter Ellison, Lawyers, Level 23, Rialto Towers, 525 Collins Street, Melbourne 3000.

## **CONTACTS**

For further information, please visit [www.octanex.com.au](http://www.octanex.com.au)

## **OCTANEX**

Octanex (ASX Code: OXX) is an oil and gas exploration company listed on ASX and focussing its exploration activities on exploration of Australia's offshore basins.

Attached to this announcement is a detailed Investor Overview setting out details of Octanex's financial position, assets and management.

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## Annexure 1

### 1. Offer Conditions

#### 1.1 Acquisition of a 50.1% relevant interest

That, at the end of the offer period, Octanex has a relevant interest in at least 50.1% of the Orion Shares on issue.

#### 1.2 Orion Cash Resources

That, at the end of the offer period, Orion has available cash resources of not less than \$11,000,000 (or such lesser amount as Octanex may stipulate prior to the end of the offer period).

#### 1.3 Merger with Gas2Grid Limited

That the proposed merger of Orion with Gas2Grid Limited is not implemented.

#### 1.4 Disclosure of all, rights, obligations and agreements

That Orion includes in its target statement, or Orion makes an announcement to the ASX (on or before the date of issue of Orion's target's statement) which contains, a detailed description of:

- (a) all agreements, arrangements and understandings to which any of Orion or any of its directors, officers or substantial shareholders (entitled to more than 10% of the issued share capital of Orion) is a party, whether any such agreement, arrangement or understanding is enforceable or not enforceable or is conditional or unconditional, under which:
  - (i) any person has or will have a right (whether subject to conditions or not) to acquire any interest (legal or equitable) in any of the present or future assets of Orion or of any of its subsidiaries;
  - (ii) any person has or will have a right (whether subject to conditions or not) which results, or could result, in Orion or any of its subsidiaries acquiring any interest (legal or equitable) in any assets in which Orion presently has no such interest; or
  - (iii) Orion or such person making such agreement, arrangement or undertaking has agreed to do, or refrain from doing, any act matter or thing which relates to Orion and any of its assets or Orion's conduct in any way; and
- (b) all agreements, arrangements and understandings which Orion, or any of its directors or officers, have entered into or made with any of Orion's shareholders or any associate or related party of any such shareholder.

#### 1.5 No rights under certain agreements or arrangements

That either:

- (a) there is no agreement or arrangement of the type referred to in Clause 1.4 above; or
- (b) prior to the end of the offer period, where relevant, every person who has such a right unconditionally provides a waiver or release in writing of that right to Orion and Orion provides a copy to Octanex and that all such waivers or releases are given or made for no consideration payable by any of Orion or Octanex.

**1.6 Disclosure of full terms of all farmin and farmout agreements and Joint Venture Operating Agreements**

That Orion includes in its target statement, or Orion makes an announcement to the ASX (on or before the date of issue of Orion's target's statement) which contains, a detailed description of:

- (a) all farmin and farmout agreements and joint venture agreements; and
- (b) all other agreements, arrangements and understandings to which Orion is a party;

and the terms of such agreements as disclosed do not differ in any material aspect from those terms which have previously been disclosed by Orion to ASX and that no such agreements, arrangements and understandings other than as previously so disclosed exist.

**1.7 Warranty of disclosure by Directors of Orion**

That Orion includes in its target statement a statement under which Orion's directors each warrant to Octanex that the disclosure of all agreements, arrangements and understandings entered into by Orion (or any subsidiary of Orion) or by any of its directors in relation to any assets or future action to be undertaken (or not undertaken) by Orion or the person making any such agreement, arrangement or understanding as referred to in any of clauses 1.4 to 1.6 inclusive is complete and discloses all material terms and conditions thereof.

**1.8 Litigation**

That between the date of this announcement and the end of the Offer Period, no person announces, commences or threatens to commence any litigation against Orion.

**1.9 S&P/ASX 200 index**

The S&P/ASX 200 Index is not below 4,300 (a decline of approximately 10% from the closing level of that index on the trading day before the date of this announcement) at any time on any ASX trading day during the period from the Announcement Date to the end of the Offer Period.

**1.10 No material adverse change**

That between the date of the announcement and the end of the offer period, no event, change, fact or circumstance occurs, is announced or becomes public or becomes known to Octanex (whether or not it becomes public) which has, or could reasonably be expected to have, a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of Orion and its controlled entities taken as a whole or on the status or terms of any approvals, licences or permits from any government, governmental agency or public authority applicable to Orion and its controlled entities.

**1.11 No regulatory issues**

Between the date of the announcement and the end of the offer period:

- (a) there is not in effect any preliminary or final decision, order or decree issued by any government, governmental agency, court or public authority;
- (b) no action or investigation is announced, commenced or threatened by any government, governmental agency, court or public authority; or
- (c) no application is made to any government, governmental agency, court or public authority (other than by Octanex or any of its associates);

in consequence of or in connection with the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer, the completion of the transactions contemplated by the Bidder's Statement or requires or purports to require a variation of the Offer or the divestiture of any Orion Shares acquired or held by Octanex or any of its associates.

#### 1.12 **No Corporate actions**

None of the following occurrences happens during the period from the date of the announcement to the end of the offer period:

- (a) Orion declares or pays any dividend return of capital or other form of distribution to its shareholders;
- (b) Orion or any subsidiary of Orion borrows or agrees to borrow any monies or otherwise incurs any material level of indebtedness;
- (c) Orion or any subsidiary of Orion lends or agrees to lend any monies;
- (d) Orion or any subsidiary of Orion amends or modifies or agrees to amend or modify the terms of any joint ventures or other agreements on which it holds any of the tenements in which it has any interest;
- (e) Orion or any subsidiary of Orion surrenders or otherwise disposes of its interest in any of the tenements in which it has an interest or agrees to surrender or otherwise agrees to dispose of any part of any such interest;
- (f) Orion or any subsidiary of Orion encumbers or agrees to encumber any part of its assets;
- (g) Orion or any subsidiary of Orion appoints any new director;
- (h) Orion or any subsidiary agrees to make any payment to any officer or director of any kind whether as compensation for loss of office or otherwise;
- (i) Orion or any subsidiary of Orion enters into any long term or onerous agreement of any material kind;

#### 1.13 **No prescribed occurrences**

None of the following occurrences (each a prescribed occurrence) happening during the period from the date of the announcement to the end of the offer period:

- (a) Orion converts all or any of its securities into a larger or smaller number of securities;
- (b) Orion or any subsidiary of Orion resolves to reduce its share capital in any way;
- (c) Orion or any subsidiary of Orion buys back or enters into a buy back agreement in relation to its securities or resolves to approve the terms of a buy back of its securities;
- (d) Orion or any subsidiary of Orion issues securities or grants an option over securities or agrees to make such an issue or grant such an option;
- (e) Orion or any subsidiary of Orion issues, or agrees to issue, convertible notes;
- (f) Orion proposes or resolves to amend the provisions of its constitution;

- (g) Orion or any subsidiary of Orion disposes or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (h) Orion or any subsidiary of Orion charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (i) Orion or any subsidiary of Orion resolves to be wound up;
- (j) a liquidator or provisional liquidator of Orion or a subsidiary of Orion is appointed;
- (k) a court makes an order for the winding up of Orion or any subsidiary of Orion;
- (l) an administrator of Orion or a subsidiary of Orion is appointed under section 436A, 436B or 436C of the Corporations Act;
- (m) Orion or a subsidiary of Orion executes a deed of company arrangement; or
- (n) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Orion or a subsidiary of Orion.



The logo for Octanex N.L. features a solid orange circle on the left. To its right, the word "Octanex" is written in a white, sans-serif font, with "N.L." in a smaller, italicized white font directly below it.

Octanex  
*N.L.*

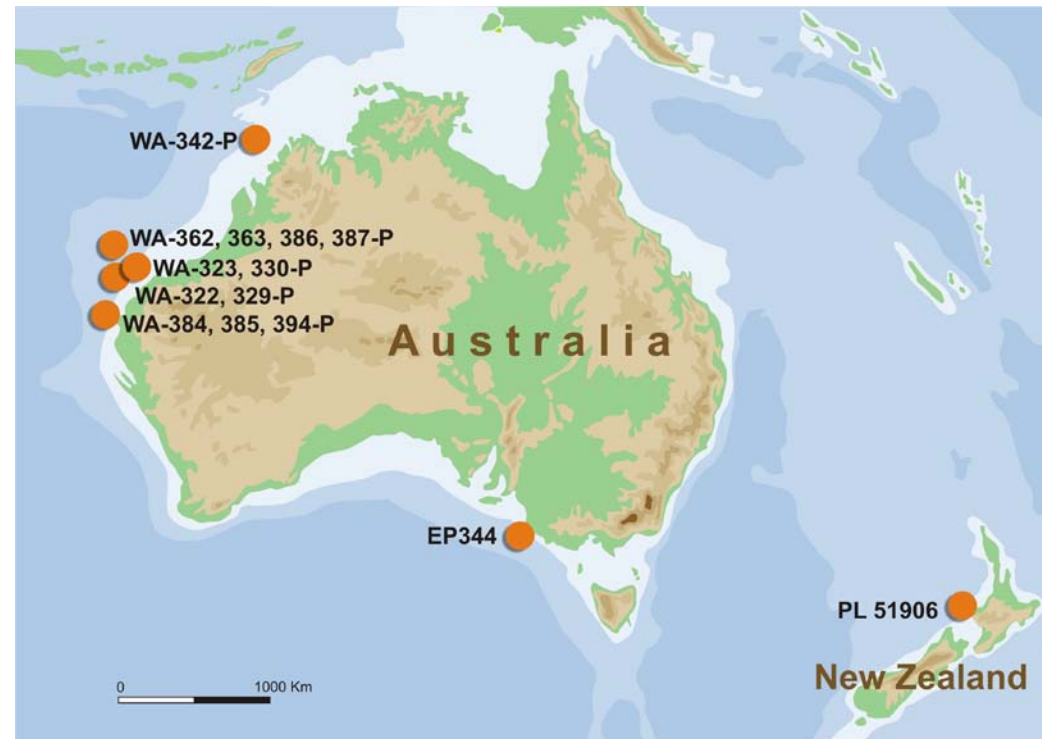
# **INVESTOR OVERVIEW**

**FEBRUARY 2010**

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- This presentation may contain forward looking statements, not based on historical fact, that are subject to risk factors associated with oil and gas businesses. Forward looking statements include those identified by the use of forward looking terminology such as the words “believes”, “may”, “will”, “estimates”, “continue”, “anticipates”, “intends”, “expects”, “should”, or the negatives thereof and other words of similar import.
- While it is believed the expectations reflected in these statements are reasonable, they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.
- Accordingly, while Octanex NL believe the estimates provided are reasonable, they should not unduly be relied upon.
- Octanex NL make no representation, warranty (express or implied), or assurance as to the completeness or accuracy of any projections and, accordingly, express no opinion or any other form of assurance regarding them. Octanex NL do not intend to publish updates or revisions of any forward looking statements included in this document to reflect the circumstances of Octanex NL after the date of this presentation or to reflect subsequent market analysis
- The views expressed within this document are solely those of Octanex NL and do not necessarily reflect the opinions of its joint venture participants
- Investors should undertake their own analysis and obtain independent advice before investing in Octanex NL securities.
- All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.

- Octanex NL is an oil and gas exploration company based in Melbourne
- Substantial existing cash resources and liquid assets but low forward exploration commitments;
- Holds a portfolio of offshore petroleum exploration permits which have the potential for transformational impact in the event of exploration success.
- Low cost operator committed to creating shareholder value



# OCTANEX INVESTMENT RATIONALE

- Octanex fully carried with a 20% interest in up to four Exmouth Plateau permits. OMV and ENI have committed to drill at least one well and to acquire a 3,995 kms<sup>2</sup> 3D seismic survey in the next few months. The targets have the potential to be giant and super giant gas fields. Octanex may be fully carried through up to 8 wells for a 20% interest
- Holds 100% of a new offshore Taranaki, New Zealand permit - large oil prone targets
- Holds 100% of two permits in the highly prospective Carnarvon Basin containing a feature (Winchester) with significant gas/condensate potential
- Valuable commercial rights in S Exmouth permits via deal with Shell
- Ample cash reserves and low exploration commitments
- Octanex committed to investing in transformational resource based opportunities.
- Exploration success has the potential for significant investment returns

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## **Geoff Albers – Executive Chairman**

Company founder and majority shareholder  
Extensive experience in oil and gas exploration  
and resource sector investment

## **Graeme Menzies – Executive Director**

Extensive experience with resource company corporate  
reconstructions, takeovers and capital raising

## **James Willis – Executive Director.**

Responsible for the day to day activities of the company. Long  
experience in the oil and gas sector.

## **Dr Simon Sturrock**

Exploration Manager based in Perth office. Responsible for all  
exploration activities and supported by a team of independent  
consultants.

## **Jack Tuohy**

Experienced Company Secretary, based in Melbourne.



# STRONG FINANCIAL POSITION

- Cash reserves in immediately available funds of \$23,000,000 with no debt and negligible forward exploration commitments.
- Ability to raise funds through trustee share mechanism and, contingently, from the exercise of options.
- Holds a number of strategic investment shareholdings including:
  - 43,656,168 shares in Cue Energy Resources Ltd (ASX code: CUE)  
Current value ~\$8.7m
  - 10,972,923 shares in Orion Petroleum (ASX code: OIP)  
Current value ~\$0.8m
  - 10,000,000 shares and 5,000,000 options in Central Petroleum (ASX code: CTP)  
Current value ~\$1.3mTotal value of investments greater than \$15m
- **CASH PLUS LIQUID INVESTMENTS ALONE EQUIVALENT TO APPROXIMATELY \$0.26 PER FULLY PAID SHARE**
- Octanex is in a strong financial position and well placed to pursue opportunities.

# CAPITAL STRUCTURE – SHARES ON ISSUE

	Number of Shares	Value (at \$0.40 per share)	Ownership %
Interests associated with Albers Group	109,802,176	\$43.9m	61.9%
Trustee scheme shares (nil paid per share)	33,000,000	\$13.2m	18.6%
Other existing shares	34,625,928	\$13.85m	19.5%
<b>TOTAL</b>	<b>177,428,104</b>	<b>\$70.97m</b>	<b>100%</b>

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Octanex has two classes of options:

- **Listed Options**

**32,901,372 options exercisable on or before 31 December 2010. Option holders can either pay in full or pay \$0.05 per option to acquire a contributing share subject to calls of a \$0.10 per share payable on or before 31 December 2011 and 31 December 2012 respectively.**

- **Unlisted executive options**

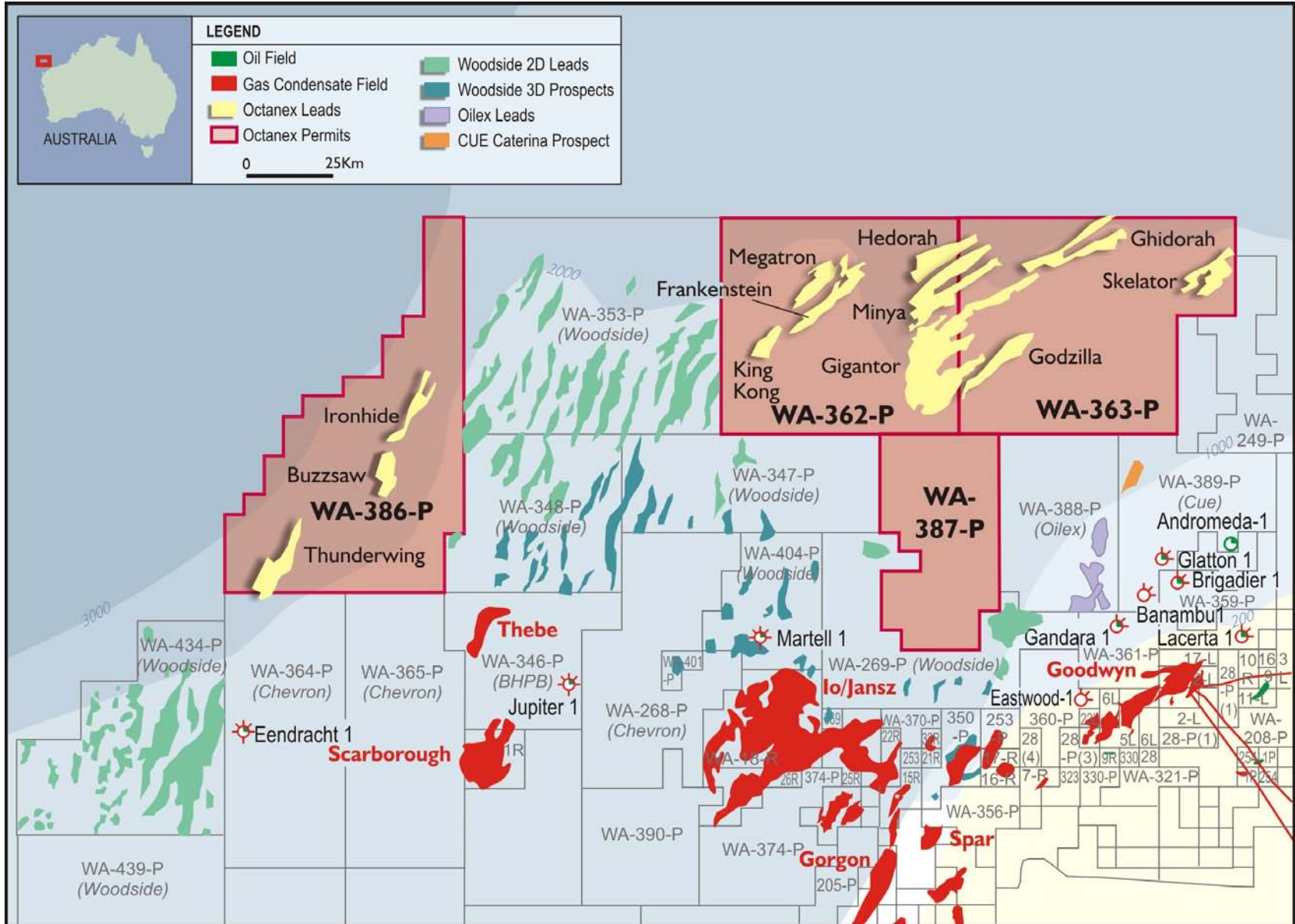
**3,750,000 unlisted executive options exercisable between 30 June 2010 through to 30 June 2012 at exercise prices between \$0.303 to \$0.70**



- **Be an entry point for investment in high quality international scale opportunities.**
- **Acquire large permits with low obligations in geologically prospective areas but with corporate transformational potential and clear pathways to commercialisation (e.g. Taranaki Basin);**
- **Acquire known resources with development potential (e.g. Cornea)**
- **Acquire strategic investment opportunities with strong growth potential (e.g. Central Petroleum with its whole of basin approach to gas and coal seam gas plays)**
- **Conduct initial exploration (seismic data acquisition etc.) on own account (e.g. Winchester);**
- **Focus on risk reduction and avoid direct funding of high risk, expensive drilling obligations;**
- **Farm out to substantial industry participants with the expertise to assess high value opportunities with development potential (e.g. farmout to OMV/ENI and the scope in the Exmouth Plateau for multiple giant and super giant gas fields)**

# EXMOUTH PLATEAU

WA-362-P, WA-363-P, WA-386-P & WA-387-P



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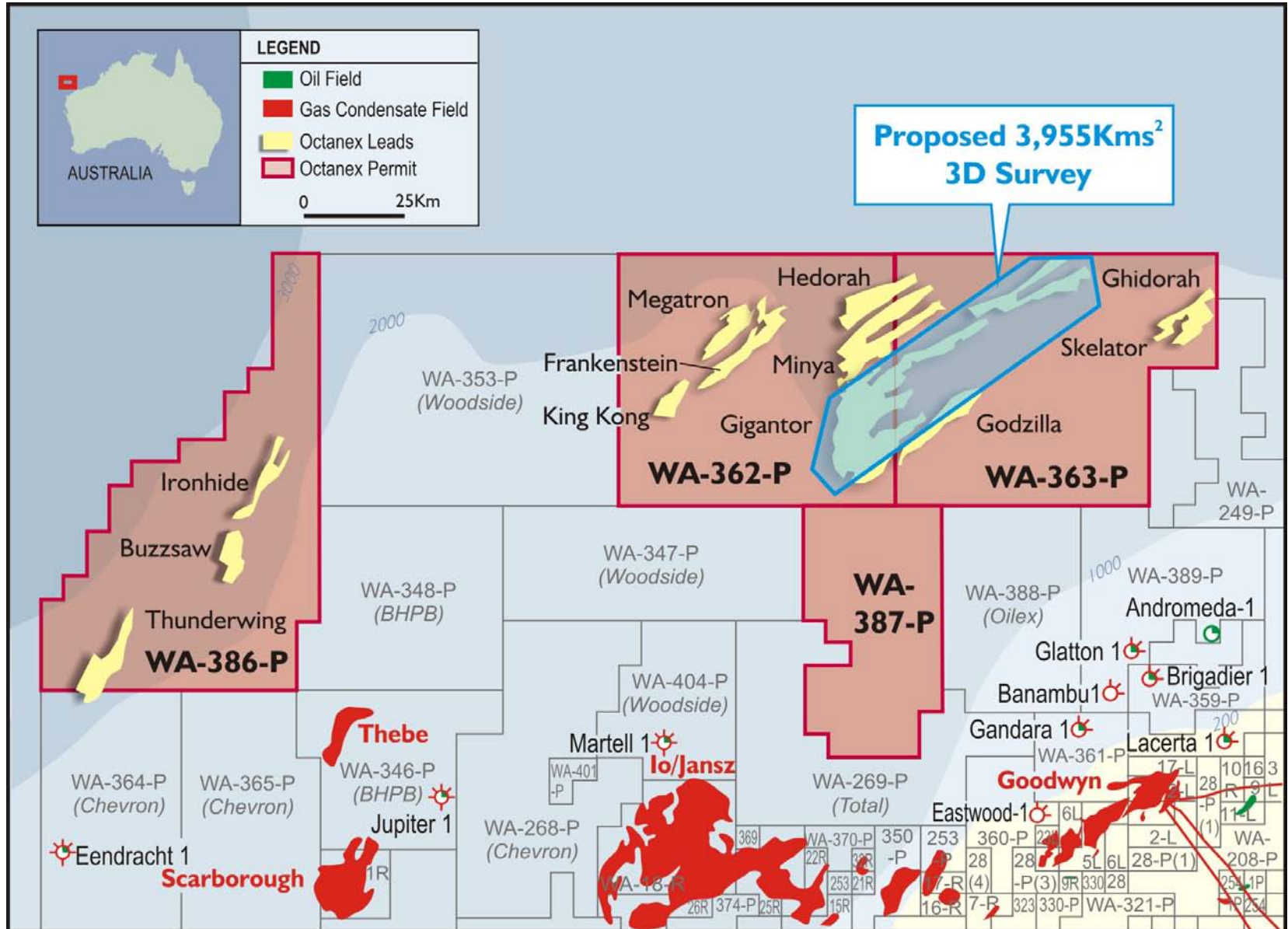
**OCTANEX INTEREST: 40% reducing to 20% in any permit where OMV/ENI commit to wells**

- **OMV/ENI elected in December 2009 to drill at least one well in one of the four permits**
- **Octanex will be fully carried with a 20% interest through the next two wells in that permit. Octanex will have a similar fully carried 20% interest in each of the other three permits, if OMV and ENI elect to drill a well in those permits;**
- **OMV and ENI undertaking a substantial ongoing exploration effort across all four permits, including a 3,995 kms<sup>2</sup> 3D seismic survey.**
- **Octanex expects to be free carried for a 20% interest through the first two wells in up to four permits – potentially in as many as 8 wells with each well likely to cost \$50m.**



- 7,400 km Klimt 2D seismic survey completed late April 2008.
- 3 permits untouched by the drill bit but some evidence of the scope for potentially giant gas fields.
- Multiple giant, potentially multi TCF structures identified – including the stacked plays in “Gigantor” and “Gigantor Deep”. OMV and ENI have now committed to conduct a 3,995 kms<sup>2</sup> 3D seismic survey across the targets identified thus far. Octanex not required to contribute
- The joint venture’s objective is the discovery and development of large gas fields which provide sufficient size for a LNG development.
- Success could lead to Octanex being carried through the drilling of multiple wells and, ultimately, the opportunity to be a 20% participant in large scale LNG processing and export.

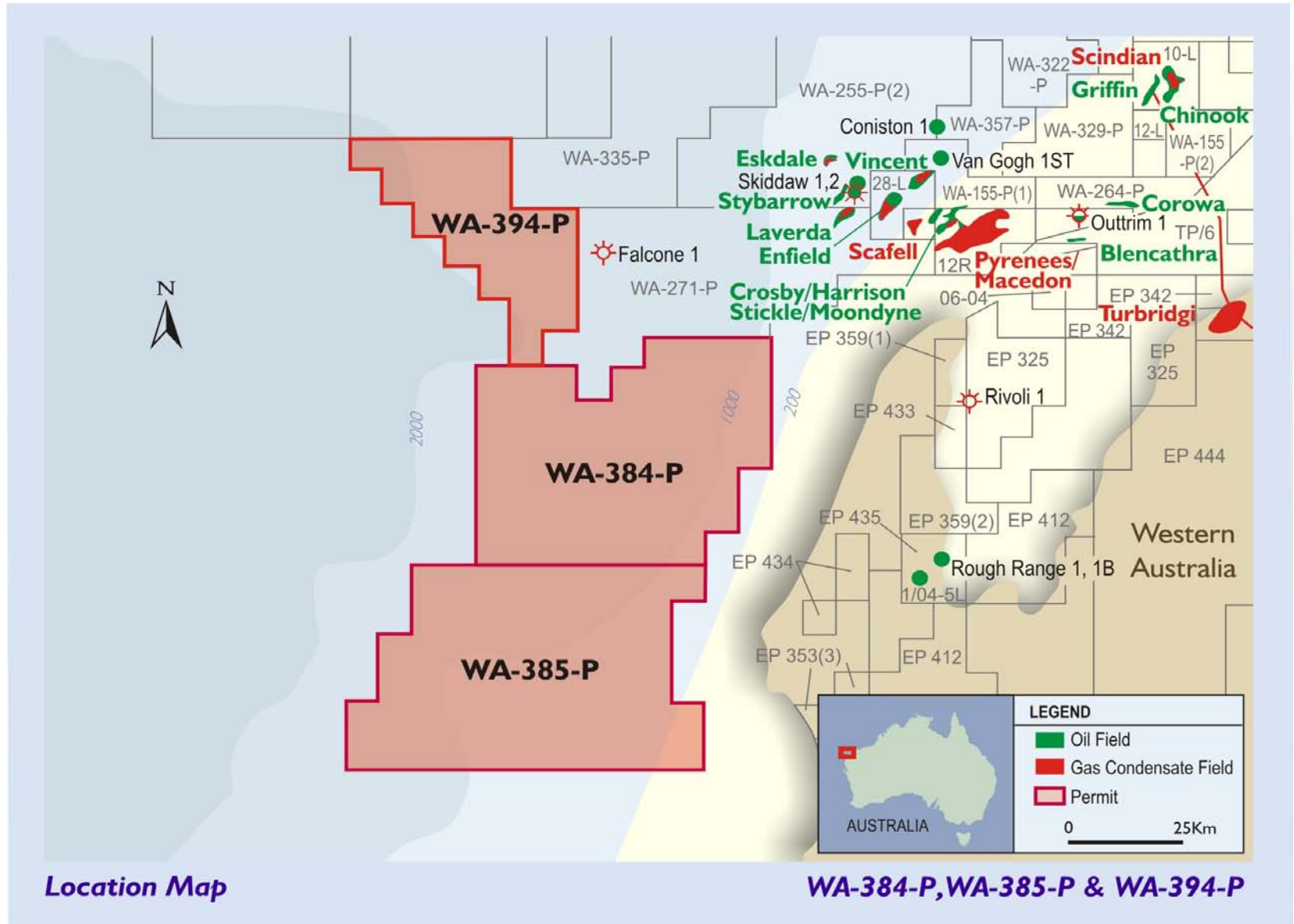
# WA-362-P and WA-363-P - 3D SURVEY



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# SOUTHERN EXMOUTH SUB-BASIN

WA-384-P, WA-385-P & WA394-P





### PERMIT OWNERSHIP:

- All 3 permits sold to Shell in February 2008 – Shell now has a 100% interest
- Octanex retains significant residual commercial rights in the three permits.

### DISCOVERY PAYMENT ENTITLEMENTS

- Octanex is entitled to discovery payments of \$US5m per discovery if any discoveries made - up to a possible 9 discovery payments in total;
- If Shell spuds an appraisal well or applies for a production licence or retention lease in relation to any discovery, then Shell must pay a further US\$5m.

### WELL COMMITMENTS AND REASSIGNMENT RIGHTS

- Shell must commit to a well before the start of Year 5 for each permit (August 2010 or February 2011 for WA-394-P) or reassign a 100% interest in the relevant permit back to Octanex;
- If Shell makes a discovery but declines to pay the discovery payment to Octanex, Shell must reassign the relevant permit.

### OVERRIDING ROYALTY

- Octanex holds a 1% overriding royalty on any production from each permit.

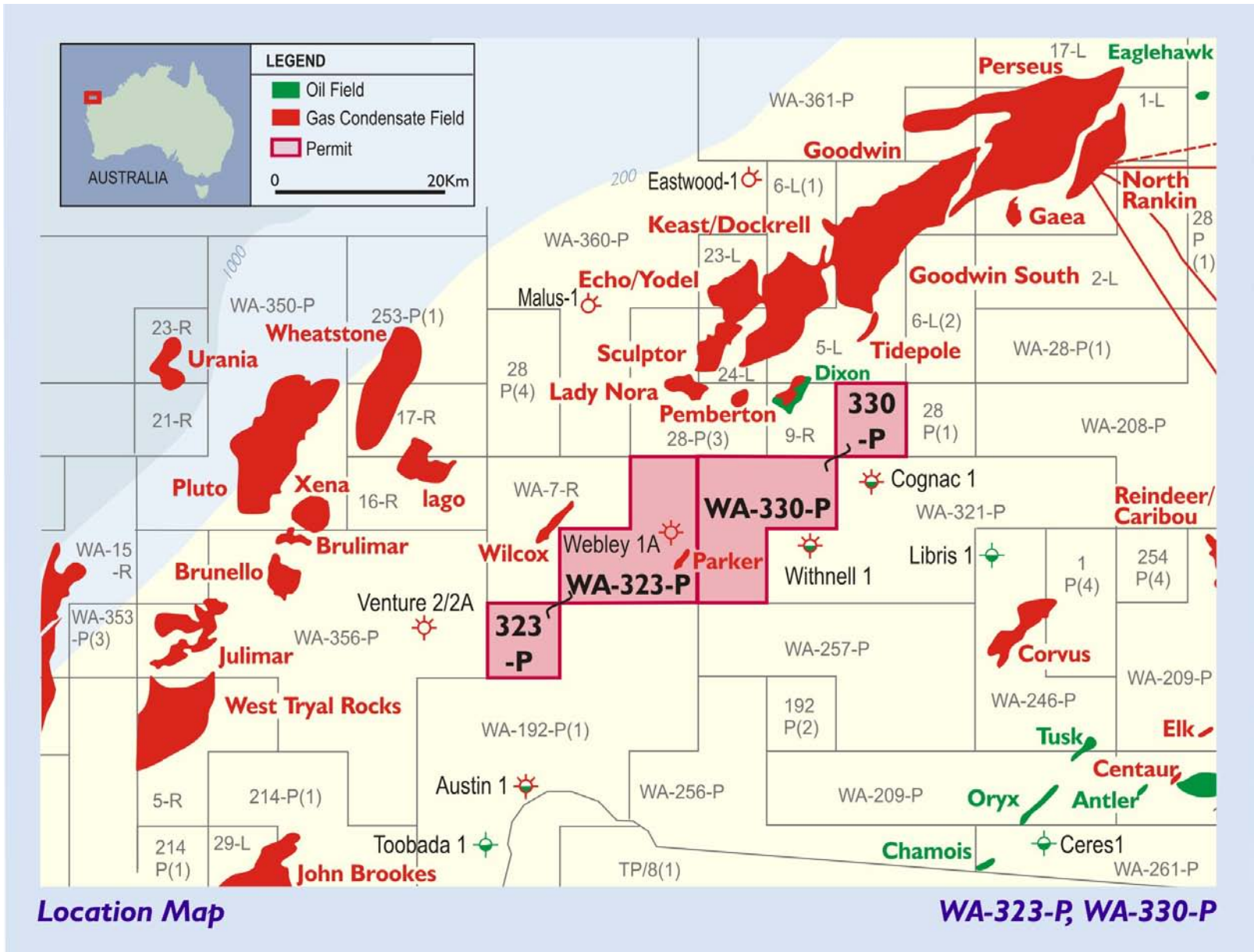
### SHELL'S EXPLORATION ACTIVITY

- Shell has acquired a large 2D survey, is continuing to evaluate the permits and intends to inform Octanex of their future exploration intentions before the August 2010 deadline



# DAMPIER SUB-BASIN

## WA-323-P & WA-330-P



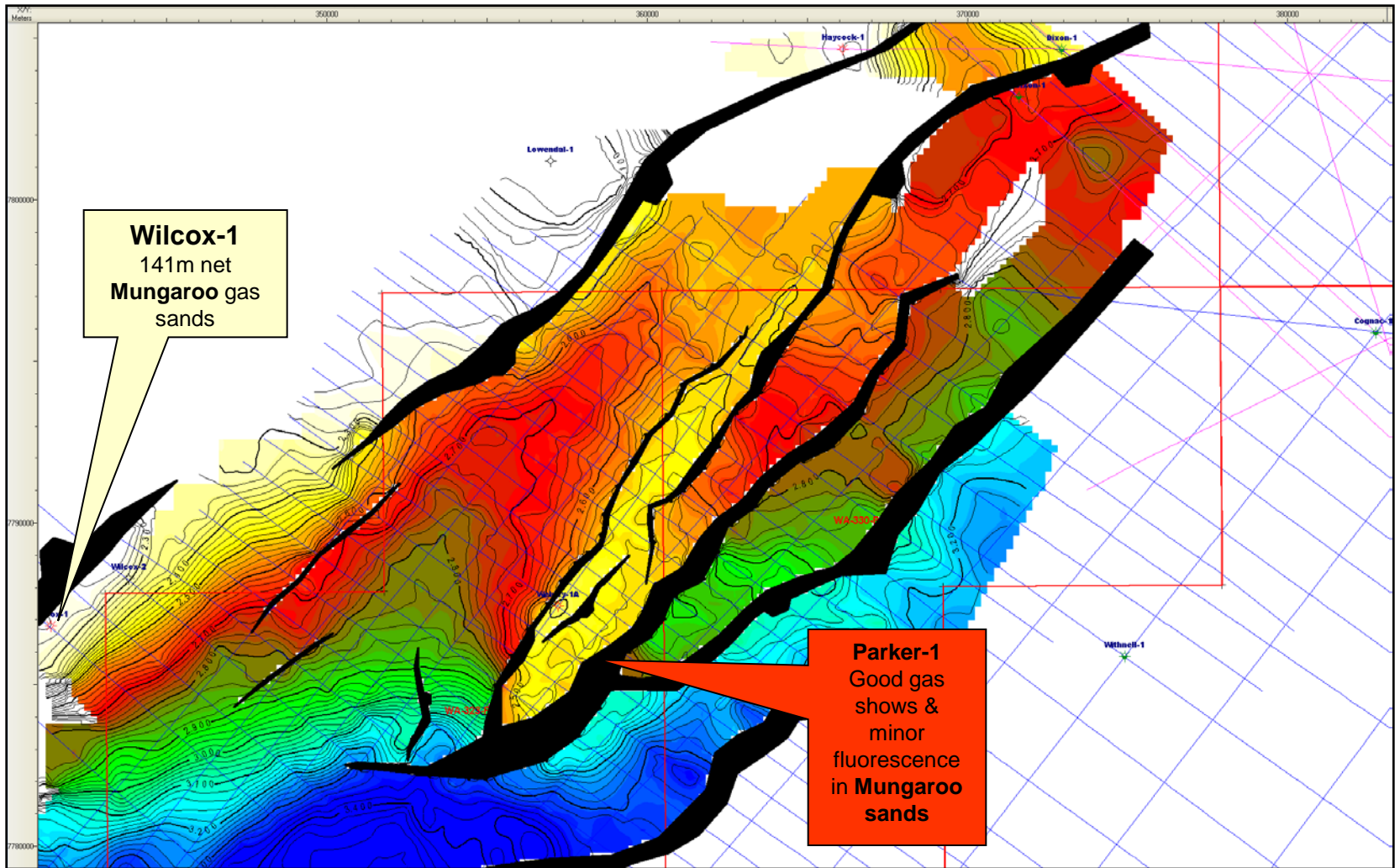
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**OCTANEX INTEREST: 100%**

- **WA-323-P and WA-330-P contain the Winchester prospect which straddles both permits.**
- **Winchester prospect was developed following recognition that Parker 1 well drilled in 1980 was a Triassic gas discovery.**
- **In August 2008, new seismic data acquired using the technique of an off bottom cable survey or OBC survey.**
- **Processing this data is highly complex. Amongst other factors, accurate velocity picks are crucial.**

# Winchester Prospect

## Top Triassic TWT Map



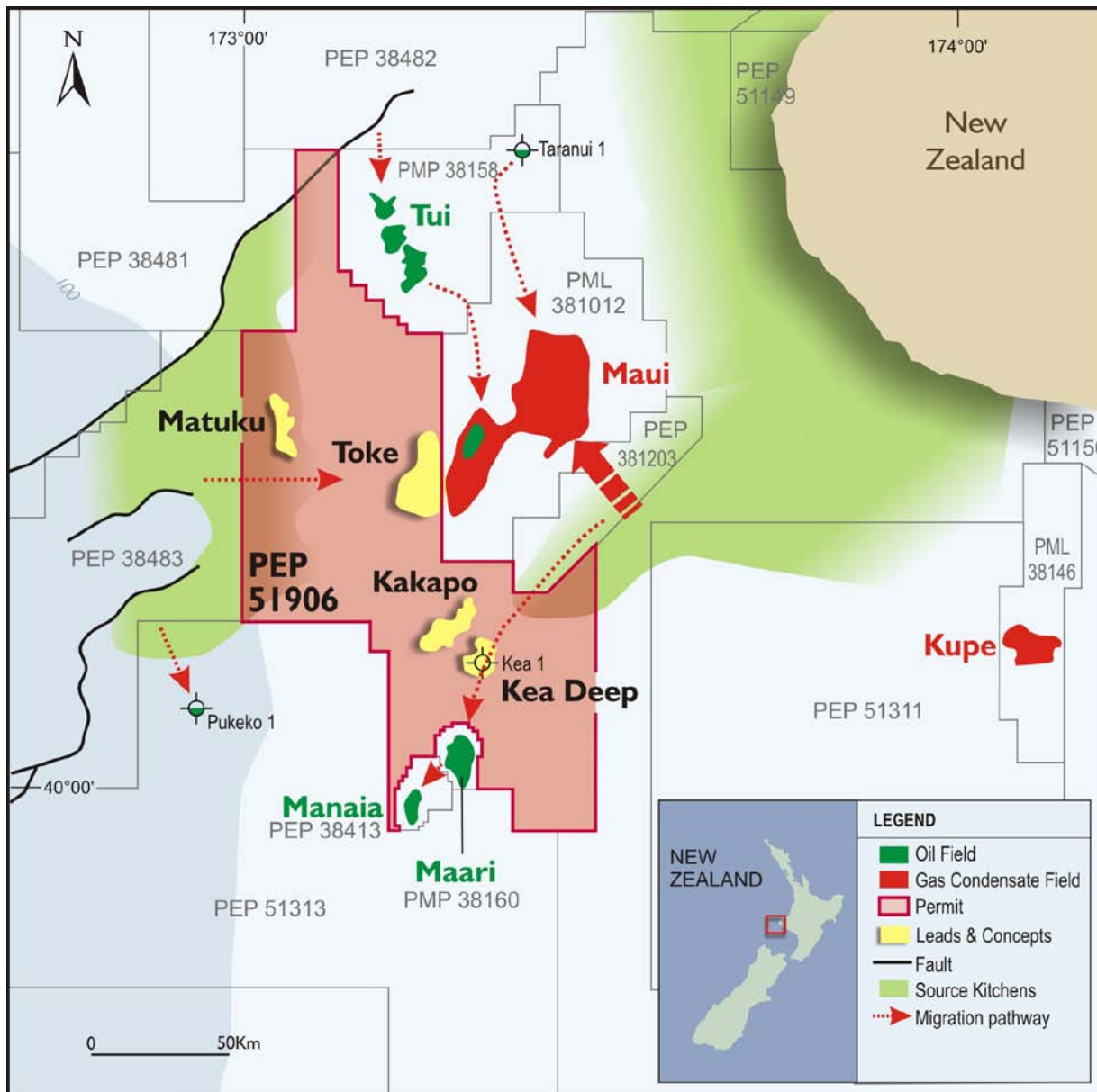
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### SUMMARY

- The Winchester prospect has the potential to be a multi TCF, liquids rich prospective resource.
- A number of major industry players have expressed genuine interest in the prospect, but farmout efforts cannot be advanced until the OBC survey data has been fully processed.
- Octanex will only drill Winchester if the permit can be farmed out;
- Processing the OBC data is complex. The world leaders for this processing, CGGVeritas in Calgary, have been contracted to handle the task with results expected in Q1 2010. Good results so far - but still early days.
- A discovery at Winchester is potentially transformational for Octanex.

# TARANAKI BASIN – PEP 51906

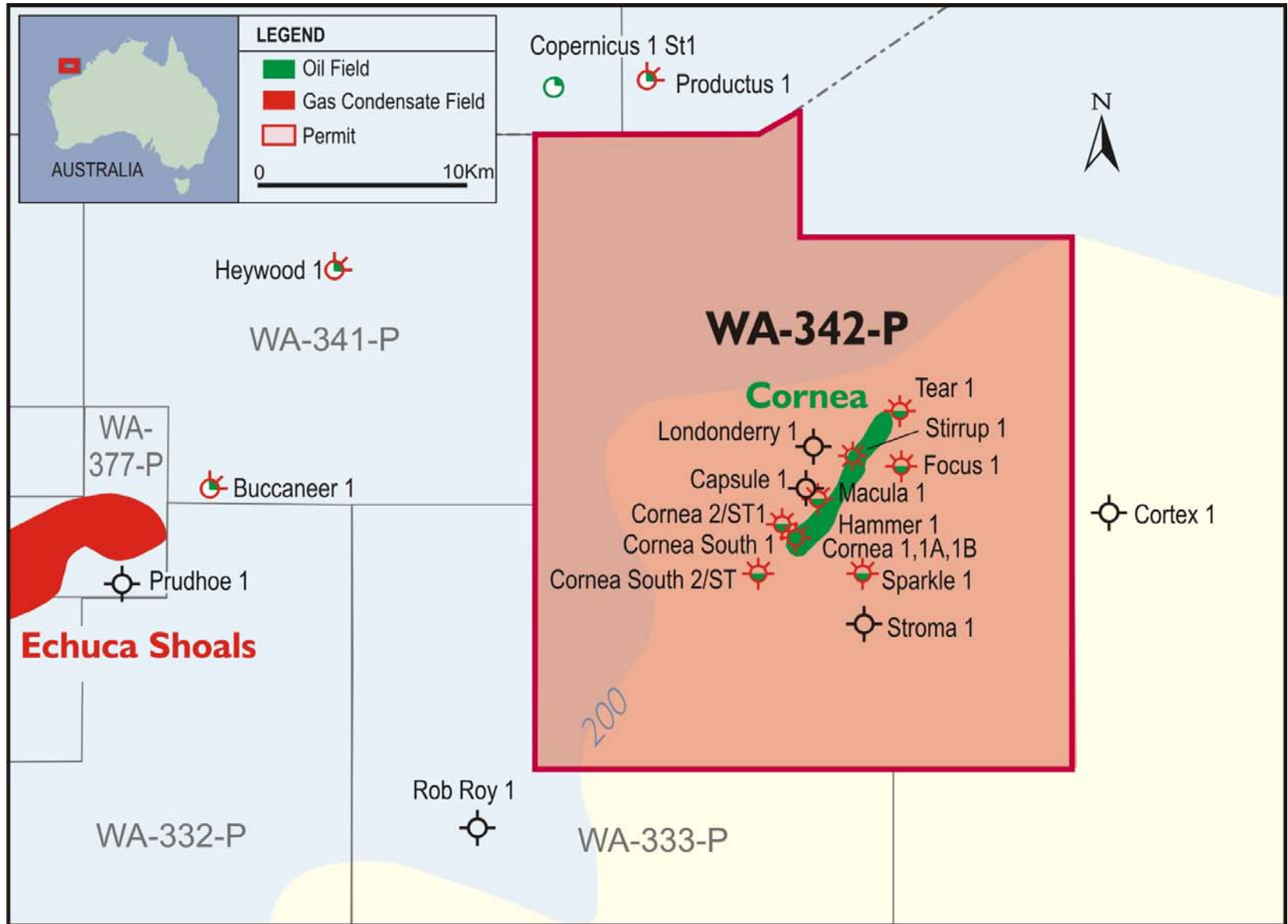


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## OCTANEX INTEREST: 100%

- PEP 51906 awarded 19 November 2009
- Permit adjacent to three producing oil or gas/condensate fields
- Four substantial leads (Toke, Matuku, Kea Deep and Kakapo) identified from work undertaken prior to grant of the permit
- Permit area contains leads thought to be highly prospective for oil.
- The forward exploration obligations are relatively modest.
- Reprocessing of 1500 km of existing 2D seismic data now underway

# WA-342-P - CORNEA



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## Octanex interest: 8%

- Cornea 3 drilled late 2009.
- An oil column of 20.4m metres was intersected between the gas oil contact at 785.6m MDRT and the free water level (as defined by pressure data) at 806m MDRT. The logging has established a clear oil and water gradient – a significant improvement on the position known before the well was drilled.
- Cornea is a rare example of a known, undeveloped contingent oil and gas resource – albeit with complications.
- Cornea has the scope for the recovery of contingent resources of between 60 and 80 MMBBLS
- Sustained efforts now underway to establish the next step on the pathway to put in place a development of Cornea.

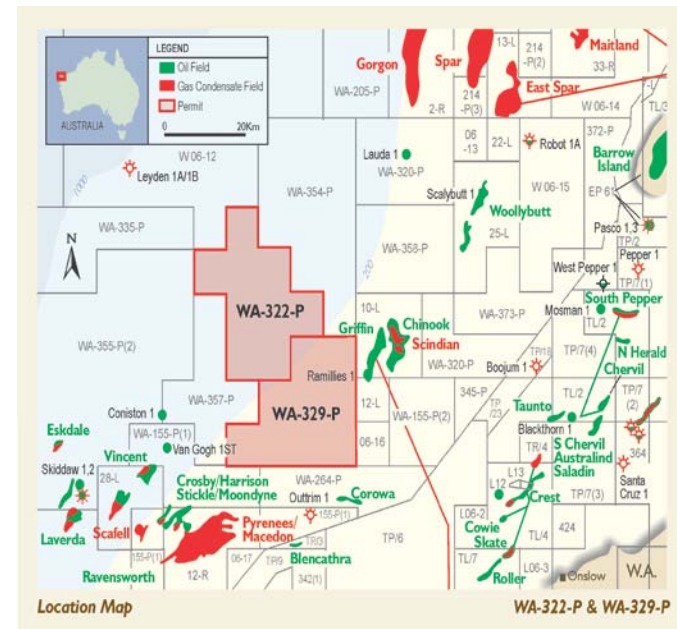
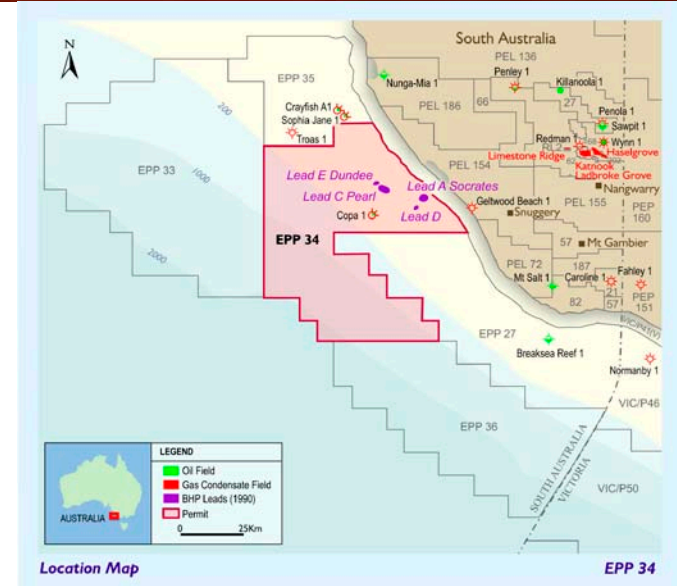


Octanex also has:

- 30% of EPP 34: The permit has modest gas/liquids potential with relatively low contractually committed expenditure commitments

- 100% of WA-322-P and WA-329-P.

WA-329-P contains two prospects each with the potential to hold up to 1 TCF of gas



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- **OMV/ENI, in December 2009 committed to the drilling of a well in one of the four Exmouth Plateau permits. This has set up Octanex for direct participation in very large scale offshore exploration targeting giant gas fields – Octanex is fully carried through initial drilling.**
- **Cornea 3 successfully confirmed the existence of a live oil column. Octanex is now in an excellent position to be a material participant in a future oil field development.**
- **Winchester data processing results expected in February 2009 – a good result will allow an active farmout campaign to commence for the two affected permits – which have an excellent address.**
- **The NZ permit is oil prone and has low obligations. Excellent potential for Octanex to be able to retain a large interest through future drilling.**
- **Octanex has a strong cash position and low forward commitments**