



22 February 2010

General Meeting to consider Gas2Grid Limited Meger

Octanex Takeover Bid

Orion Petroleum Limited (ASX: OIP) ("Orion") wishes to provide an important update to its shareholders in relation to the General Meeting convened for shareholders to consider a resolution that is a condition of the proposed merger of Orion with Gas2Grid Limited (ASX: GGX).

The General Meeting was originally convened on **27 January 2010** but was adjourned until tomorrow, **Tuesday 23 February 2010** to enable shareholders to consider further material that was made available onwards from **15 February 2010**.

On **18 February 2010**, Octanex NL (ASX: OXX) ("Octanex") advised that it intended to make a conditional scrip takeover offer for all the shares in Orion that it is not presently entitled to. The terms of the proposed offer are one Octanex share for six Orion shares.

The entire announcement and correspondence from Octanex is available for review on both the Orion website (www.orionpetroleum.com.au), the Octanex website (www.octanex.com.au) and the ASX announcements platform (www.asx.com.au). The Independent members of the Orion Board consider it important that Orion shareholders review these documents.

View of the Independent Board members

The Independent members of the Orion Board have considered the correspondence received from Octanex. While the Independent members of the Orion Board will formally consider the offer from Octanex when a Bidder's Statement is received, which could be at any time up until 18 April 2010, they have reviewed the documents received thus far and makes some comments on them.

The Octanex proposal is conditional. Apart from the usual conditions contained in public company takeovers it contains conditions that include the Directors of Orion providing personal warranties to Octanex. This is highly unusual and the Orion Directors, consistent with public company practice, have no present intention of personally warranting matters to third parties.

It also contains a condition that Orion has, by the close of the takeover offer, not less than \$11m in available cash. The Orion directors continue to operate Orion in the ordinary course of its business. This includes undertaking expenditure and meeting operational commitments such as its drilling program for NSW Licence PEL 6 commencing in early April for which at least \$2.5m has been committed. As matters presently stand this condition will not be satisfied.

There are other matters of concern to the Independent members of the Board concerning the Octanex proposal. While a scrip bid, the exchangeable price is hardly compelling; the market has already overbid the price presently on offer from Octanex. The 30 day Volume Weighted Average Price (VWAP) for Octanex shares translates to an offer price of 7.25 cents per Orion share. The Orion share price closed last Friday at 7.8 cents with a 30 day VWAP of 8.3 cents.

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In addition the Independent members of the Board believe there are strategic differences between the approaches taken by the two companies. These include:

- that Octanex activities have been focused in a higher cost, offshore environment and with a high risk/high value profile. Orion through the proposed merger with Gas2Grid is seeking to complement its own high risk/high value portfolio with lower risk properties.
- Octanex's direct focus has been on offshore activities. Orion operates onshore. In the view of the Independent members of the Board these activities involve different cost and funding profiles and represent markedly different investment propositions.

Further Adjournment of the General Meeting

The Octanex proposal is relevant to the extent that another condition under it is that the proposed merger with Gas2Grid not proceed. The General Meeting for Orion shareholders to consider resolutions key to the merger has been adjourned until **tomorrow Tuesday 23 February 2010**. Shareholders will recall that this adjournment took place to allow time to consider certain matters raised by persons acting on behalf of Octanex challenging aspects of the information package made available for shareholders to assist them in considering whether or not to vote in favour of the merger with Gas2Grid.

The General Meeting has been adjourned once to allow shareholders to consider new material prepared in relation to the proposed merger responding to the matters raised by Octanex or on its behalf.

While the Octanex proposal contains a number of conditions that if retained are not likely to be met, is at a price which has been overbid by the market and in the Independent Directors' view would see Orion become part of a company with a different business approach, the Independent Directors believe that Orion shareholders should have every reasonable opportunity to acquaint themselves with information about the proposed Octanex bid before the General Meeting.

Accordingly it is proposed to further adjourn the General Meeting to the latest date permitted under Orion's Constitution. Under the Orion corporate constitution a general meeting can only be adjourned for a period of no longer than one month without fresh notices (including the material accompanying such notices) being prepared. The latest date at which the general meeting can be adjourned to is this coming **Friday, 26 February 2010** and it is proposed that on Tuesday the meeting be adjourned to **11 am** on that date and be held at the same place, **Level 3, 10 Bridge Street Sydney 2000**.

Shareholders are urged to access the company's website (www.orionpetroleum.com.au) where relevant documentation is available. This includes:

- Original independent expert's reports in relation to proposed merger;
- Responses and supplementary reports responding to the challenges;
- Correspondence from Menzies & Partners Solicitors in relation to a range of matters regarding the merger and the manner in which the Orion Board conducts the affairs of the company;
- Correspondence from Octanex including correspondence relating to its proposed offer for Orion and in particular the offer terms as well as correspondence from Octanex impugning the independence and motives of the Orion Board.

We urge Orion shareholders to review all the above material and consider it in the context of the forthcoming General Meeting to be reconvened this coming **Friday, 26 February 2010**. Shareholders can also obtain information on the Octanex website (www.octanex.com.au) although this information has neither been prepared by Orion or is necessarily endorsed by it.

Important information on Proxies

Shareholders are entitled to withdraw proxies or change proxies they have lodged to date. The closing date and time for proxies based upon the new date for the General Meeting will be **11.00am on Wednesday 24 February 2010**. Proxies may be faxed, hand delivered, posted (but so as to **arrive** by the closing date and time) or emailed as a scanned document. Full contact details for lodging new proxies are given below. We urge Orion shareholders to take the time to consider all the information which we are making freely available on the company's website.

Independent Orion Directors recommend the Merger

Having regard to all of the circumstances, the independent members of Orion's Board reaffirms its recommendation that Orion shareholders vote in favour of the resolution at the forthcoming General Meeting.

Important Practical Information for Orion Shareholders:

To lodge or withdraw your proxy please request a new proxy from Orion's share registry, **Registries Limited** (tel 1300 737 670 or +61 2 9290 9600, email registries@registries.com.au). Completed proxy forms should be returned by any of the following means:

To the share registry

- By post to Registries Limited, GPO Box 3993, Sydney NSW 2001, or
- By Hand to Registries Limited, Level 7, 207 Kent Street, Sydney NSW 2000, or
- By fax+1300 653 459 or +61 2 9279 0664, or
- By email to registries@registries.com.au

To Orion's office

- By post or hand to Level 3 Suite 303, 10 Bridge Street, Sydney NSW 2000, or
- By fax to +61 2 9252 0255, or
- By email to office@orionpetroleum.com.au

So as to **arrive no later than 11am, Wednesday 24 February 2010**.

To obtain further information please access the Orion Petroleum Limited website www.orionpetroleum.com.au or the Octanex NL website www.octanex.com.au.

The Board recommends that Orion Shareholders monitor the website regularly for any updates.

For further information please contact:

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