THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IT SHOULD BE READ IN ITS ENTIRETY. IF YOU ARE IN DOUBT AS TO THE COURSE YOU SHOULD FOLLOW, YOU SHOULD CONSULT YOUR INVESTMENT OR OTHER PROFESSIONAL ADVISER.

GAS2GRiD

Scheme Booklet

Schemes of Arrangement

between

GAS2GRID LIMITED

ACN 112 138 780

&

ITS SHAREHOLDERS

GAS2GRID LIMITED

&

ITS OPTIONHOLDERS

Explanatory Statement
and
Notices of Scheme Meetings

THE GAS2GRID DIRECTORS WITHOUT A CONFLICT (BEING DAVID MUNNS AND PATRICK SAM YUE) RECOMMEND THAT GAS2GRID SHAREHOLDERS AND GAS2GRID OPTIONHOLDERS VOTE TO APPROVE THE SCHEMES IN THE ABSENCE OF A SUPERIOR OFFER

Lawyers

PiperAlderman

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Questions

If you have any questions in relation to the Schemes, please call the Gas2Grid Share Registry information line on 1300 659 062 within Australia and +61 2 8986 9350 outside Australia or consult your stockbroker or other professional adviser without delay.

IMPORTANT DATES*

Date	Event
26 January 2010	Proxy forms for the Share Scheme Meeting and the Option Scheme Meeting must be respectively received no later than 11.00 am and 12.00 noon (Sydney time) on 26 January 2010
26 January 2010	Eligibility to vote at the Share Scheme Meeting and Option Scheme Meeting respectively determined at 11.00 am and 12.00 noon (Sydney time) on 26 January 2010**
28 January 2010	Share Scheme Meeting to be held at the offices of Mitchell & Partners, Level 7, 10 Barrack Street, Sydney, New South Wales 2000 commencing at 11.00 am (Sydney time) on 28 January 2010
28 January 2010	Option Scheme Meeting to be held at the offices of Mitchell & Partners, Level 7, 10 Barrack Street, Sydney, New South Wales 2000 commencing at 12.00 noon (Sydney time) on 28 January 2010 or as soon thereafter as the Share Scheme Meeting is concluded or adjourned
3 February 2010	Court hearings for approval of Schemes
4 February 2010	Effective Date of Schemes (if passed)
3 February 2010	Last day of trading Gas2Grid Shares and Options
8 February 2010	Commencement of trading in Orion Shares on a deferred settlement basis
11 February 2010	Record Date
16 February 2010	Implementation Date for the Schemes
19 February 2010	Dispatch of holding statements to Gas2Grid Shareholders and Gas2Grid Optionholders

* All dates following the date of the Scheme Meetings are indicative only and, among other things, are subject to change and to all necessary approvals from or required by the Court, ASX and ASIC.

**Note: for postal votes to be counted, effectively they will need to be delivered to the relevant postal address by 5.00 pm (Sydney time) on 25 January 2010.

LETTER FROM CHAIRMAN OF GAS2GRID LIMITED

21 December 2009

Dear Gas2Grid Shareholder and Gas2Grid Optionholder,

On 5 November 2009, Gas2Grid announced the signing of a merger implementation agreement with Orion under which Orion proposes to acquire all the ordinary shares and all the options in Gas2Grid. The Merger is to be effected by schemes of arrangement.

Under the Merger, Gas2Grid Shareholders will receive 1 Orion Share for every 2.25 Gas2Grid Shares held.

Under the Merger, Gas2Grid Optionholders will receive 1 Orion Option for every 2.25 Gas2Grid Options held.

After considering the proposal in detail, your Gas2Grid Directors without a conflict (being Patrick Sam Yue and myself) have formed the view that the proposal as a whole is in the best interests of Gas2Grid Shareholders and in the best interests of Gas2Grid Optionholders. Accordingly, the Gas2Grid Directors without a conflict unanimously recommend that, in the absence of a superior offer, Gas2Grid Shareholders and Gas2Grid Optionholders vote in favour of the Merger.

The reasons for the Gas2Grid Directors' without a conflict recommendation are set out in this Scheme Booklet. Gas2Grid has appointed an Independent Expert, Grant Thornton, to assess independently the merits of the Share Scheme and the Option Scheme. The Independent Expert concluded that the Merger is in the best interests of Gas2Grid Shareholders and in the best interests of Gas2Grid Optionholders.

The Merger requires the approval of Gas2Grid Shareholders, Gas2Grid Optionholders and the Federal Court of Australia. Aspects of the merger will also require approval of Orion shareholders. The Gas2Grid Schemes will be considered at meetings of Gas2Grid Shareholders and Gas2Grid Optionholders to be held at the offices of Mitchell & Partners, Level 7, 10 Barrack Street, Sydney, New South Wales 2000 respectively at 11.00 am (Sydney time) on 28 January 2010 and 12.00 noon (Sydney time) on 28 January 2010 or as soon thereafter as the Share Scheme Meeting is concluded or adjourned.

Each Gas2Grid Director intends to vote all Gas2Grid Shares and Gas2Grid Options controlled by him, if any, in favour of the relevant resolution approving the Merger, in the absence of a superior offer.

This Scheme Booklet sets out full details of the Merger. I encourage you to read it carefully and to vote on the important resolutions to be considered at the meetings.

If you have any questions about the Merger, please call the Gas2Grid information line on 1300 659 062 within Australia or +61 2 8986 9350 outside Australia or visit Gas2Grid's website at www.gas2grid.com.

On behalf of the Gas2Grid Directors without a conflict. I commend the Merger to you and I look forward to receiving your support.

Yours sincerely

David Munns
Chairman

ACTION REQUIRED BY GAS2GRID SHAREHOLDERS AND GAS2GRID OPTIONHOLDERS

PLEASE READ THIS SCHEME BOOKLET CAREFULLY

If you do not understand anything in this Scheme Booklet or are in any doubt as to the course of action you should follow, you should contact your legal, financial or other professional adviser immediately.

HOW TO VOTE – GAS2GRID SHAREHOLDERS AND GAS2GRID OPTIONHOLDERS

You may vote by attending the Share Scheme Meeting or the Option Scheme Meeting (as applicable to you) in person or by proxy, or attorney or in the case of a corporation, by representative authorised in the manner provided by the Corporations Act.

Voting in person, by a corporate representative or Power of Attorney

To vote in person at the Share Scheme Meeting, you must attend the Share Scheme Meeting at Level 7, 10 Barrack Street, Sydney, New South Wales 2000 at 11.00 am (Sydney time) on 28 January 2010.

To vote in person at the Option Scheme Meeting, you must attend the Option Scheme Meeting at Level 7, 10 Barrack Street, Sydney, New South Wales 2010 at 12.00 noon (Sydney time) on 28 January 2010 or as soon thereafter as the Share Scheme Meeting is concluded or adjourned.

If you wish to vote under a power of attorney, then you must ensure that the original or a copy of the power of attorney is provided to the Gas2Grid Share Registry or to Gas2Grid, at the addresses set out below, on or prior to the Share Scheme Meeting or the Option Scheme Meeting (as applicable).

If you are a corporation, your authorised corporate representative may attend and vote at the relevant meeting.

You, your attorney or your representative must disclose their name and, if requested, proof of identity at the point of entry to the meeting. You, your attorney or your representative will then be given a voting card and admitted to the meeting.

Voting by proxy

If you hold Gas2Grid Shares and cannot attend the Share Scheme Meeting or otherwise wish to vote by proxy, you may appoint a proxy by completing the personalised blue proxy form accompanying this Scheme Booklet and returning it to the Gas2Grid Share Registry or Gas2Grid by 11.00 am (Sydney time) on 26 January 2010, being 48 hours before the scheduled commencement of the meeting. If proxies are sent by post, effectively they will need to be delivered by 5.00 pm (Sydney time) on 25 January 2010 for them to be counted.

If you hold Gas2Grid Options and cannot attend the Option Scheme Meeting or otherwise wish to vote by proxy, you may appoint a proxy by completing the personalised green proxy form accompanying this Scheme Booklet and returning it to the Gas2Grid Share Registry or Gas2Grid by 12.00 noon (Sydney time) on 26 January 2010, being 48 hours before the scheduled commencement of the meeting. If proxies are sent by post, effectively they will need to be delivered by 5.00 pm (Sydney time) on 25 January 2010 for them to be counted.

The proxy appointed by you must disclose his or her name and, if requested, proof of identity at the point of entry to the meeting. He or she will then be given a voting card and admitted to the meeting.

Appointing a proxy will not preclude you from attending the meeting in person and voting at the meeting instead of your proxy.

Return of proxies

If you choose to vote by proxy, please return:

- your blue proxy form in respect of Gas2Grid Shares; and
- your green proxy form in respect of Gas2Grid Options,

and the original or a copy of the power of attorney (if any) under which it was signed, to the Gas2Grid Share Registry or Gas2Grid by posting it in the reply paid envelope provided, delivering it to the relevant address below, or by faxing it to (02) 9032 3088 within Australia or +61 2 9032 3088 outside Australia. A proxy will only be able to exercise your vote if the relevant proxy form, properly completed, is received by 11.00 am (Sydney time) on 26 January 2010 in respect of the Share Scheme Meeting and by 12.00 noon (Sydney time) on 26 January 2010 in respect of the Option Scheme Meeting. If proxies are sent by post, effectively they will need to be delivered by 5.00 pm (Sydney time) on 25 January 2010 for them to be counted.

By mail or hand delivery:

Gas2Grid Limited
Gould Ralph Pty Limited
Level 42, AAP Centre
259 George Street
SYDNEY NSW 2000
or
Gas2Grid Limited
C/- Mitchell & Partners
Level 7, 10 Barrack Street
SYDNEY NSW 2000

What happens if I do not vote?

If approved, the Schemes will bind you whether or not you vote. Accordingly, you are encouraged to vote to ensure that you have your say on the Merger proposal.

You should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolutions to be considered at the Scheme Meetings.

RESPONSIBILITY FOR INFORMATION

The Orion Information contained in sections 6, 8, 9 and 11 of this Scheme Booklet, including financial information and information as to the views of Orion directors, has been provided by Orion. Orion takes responsibility for that information and those views.

The Gas2Grid Information contained in this Scheme Booklet, including financial information and information as to the views and recommendations of the Gas2Grid Directors without a conflict (being David Munns and Patrick Sam Yue), is provided by Gas2Grid. Gas2Grid takes responsibility for that information and those views and recommendations.

None of Gas2Grid, its officers or advisers assumes any responsibility for the accuracy or completeness of the Orion Information, Independent Expert's Report or Tax Report. None of Orion, its officers or advisers assumes any responsibility for the accuracy or completeness of the Gas2Grid Information, Independent Expert's Report or Tax Report.

The Independent Expert's Report provided in section 18 of this Scheme Booklet has been provided by the Independent Expert and the Independent Expert takes responsibility for the Independent Expert Report. None of Gas2Grid, Orion or their respective officers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report or for the conclusions or opinions stated in it.

The Taxation Report provided in section 10 of this Scheme Booklet has been provided by Wiltax Consulting and Wiltax Consulting takes responsibility for the Tax Report. None of Gas2Grid, Orion or their respective officers assumes any responsibility for the accuracy or completeness of the Taxation Report or for the conclusions or opinions stated in it.

FORWARD LOOKING STATEMENTS

Certain statements in this Scheme Booklet in respect of the Merged Group, relate to the future. Such statements involve known and unknown risks, uncertainties and other important factors that could cause actual results, performance or achievements of the Merged Group to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other important factors include, among other things, the matters described in section 9 of this Scheme Booklet. These statements speak only as of the date of the document.

NO INVESTMENT ADVICE OR RECOMMENDATION

This Scheme Booklet:

- does not take into account the individual investment objectives, financial situation or particular needs or circumstances of individual Gas2Grid Shareholders or Gas2Grid Optionholders; and
- is not to be read or construed as an investment recommendation and in particular as recommending an investment in Orion Shares or Orion Options by individual Gas2Grid Shareholders or Gas2Grid Optionholders (respectively), as being a suitable investment having regard to individual investment objectives or individual financial, taxation and other personal circumstances if the Schemes are implemented.

Accordingly, if you are in any doubt as to whether or not to vote for or against the Schemes or of the implications of the Schemes should they be implemented, you should seek independent professional advice before making a decision whether or not to vote in favour of the Share Scheme or the Option Scheme (as applicable to you) and to decide whether holding Orion Shares or Orion Options (as applicable to you) will be an appropriate investment for you and, if not, what course of action you should take.

ASIC, ASX AND THE COURT

A copy of this Scheme Booklet has been examined by ASIC. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Schemes. If ASIC provides that statement, then it will be produced to the Court at the Second Court Hearing. Neither ASIC nor any of its officers takes responsibility for the contents of this Scheme Booklet.

The Schemes have not been proposed by Gas2Grid or Orion for the purpose of enabling any person to avoid the operation of any of the provisions of Chapter 6 of the Corporations Act. Among the reasons for which the Schemes have been proposed is to facilitate the exchange of the Gas2Grid Options for Orion Options in accordance with the Option Scheme.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Neither the Court nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

NOTICE TO OTHER PERSONS OUTSIDE AUSTRALIA

The Merger proposal is subject to the disclosure requirements of Australia. This Scheme Booklet has been prepared in accordance with Australian requirements and style, and differs from the requirements and style for disclosure documents prepared for business combination transactions and offerings of securities in jurisdictions outside Australia. Financial information included in this Scheme Booklet has been prepared in accordance with Australian accounting standards and may not be comparable to financial statements prepared in accordance with accounting standards in jurisdictions outside Australia.

This Scheme Booklet has not been filed or registered in any jurisdiction outside Australia, and is not, and does not contain, an offering of securities to a person in a jurisdiction outside Australia.

If you are a Foreign Scheme Shareholder or Foreign Scheme Optionholder (ie a Gas2Grid Shareholder/ Optionholder whose address in the Register is a place outside Australia, its external territories, or New Zealand), you will not receive Orion Shares or Orion Options. Instead, any Orion Shares or Orion Options that would otherwise be issued to you as a Foreign Scheme Shareholder or Foreign Scheme Optionholder (as the case may be) will be issued to a sale agent nominated by Orion and sold on the ASX. Proceeds from that sale, after deducting expenses, will then be paid to you.

PRIVACY

Gas2Grid and Orion may collect personal information about you in connection with the Schemes. The personal information may include the names, contact details and details of holdings of Gas2Grid Shareholders and Gas2Grid Optionholders together with the names and contact details of individuals appointed by Gas2Grid Shareholders and Gas2Grid Optionholders to act as proxies, attorneys or corporate representatives to vote at the Scheme Meetings. Any binding instruction or notification (other than tax file numbers) between Gas2Grid Shareholders or Gas2Grid Optionholders and Gas2Grid as at the Record Date will be a similarly binding instruction or notification in respect of Orion and the Gas2Grid Shareholders or Gas2Grid Optionholders.

Such information will be collected for the purpose of the Scheme Meetings and implementing the Schemes. The information may be disclosed to Gas2Grid, Gas2Grid's advisers and service providers, Orion and Orion's advisers and service providers, to the extent necessary in connection with the Scheme Meetings and implementing the Schemes.

You may have certain rights to access personal information which is collected about you. You should contact the Gas2Grid Share Registry in the first instance, should you wish to exercise these rights.

Gas2Grid Shareholders and Gas2Grid Optionholders who appoint a named person as their proxy, attorney or corporate representative to vote at the Scheme Meetings should inform that individual of the matters outlined above.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the purposes of section 412(1) of the Corporations Act to explain the effect of the Schemes and includes all information that is material to the making of a decision by:

- a Gas2Grid Shareholder about how to vote in respect of the Share Scheme; and
- a Gas2Grid Optionholder about how to vote in respect of the Option Scheme.

The Share Scheme and the Option Scheme are set out in sections 14 and 15 of this Scheme Booklet respectively. If there is a change in circumstances after the date of this Scheme Booklet and before the Scheme Meetings that would require disclosure under Listing Rule 3.1 and is material to the making of the decision by Gas2Grid Shareholders or Gas2Grid Optionholders described above, Gas2Grid will provide supplementary information to Gas2Grid Shareholders and Gas2Grid Optionholders in the manner under and in accordance with ASIC Regulatory Guide 60, including providing appropriate notice to the Gas2Grid Shareholders and Gas2Grid Optionholders to consider the supplementary information, and providing the supplementary information to ASIC for prior review.

EXPLANATORY STATEMENT AND NOTICES OF SCHEME MEETINGS

1. KEY FEATURES OF THE SCHEMES

1.1 Introduction

On 5 November 2009, Gas2Grid and Orion announced a proposal to merge. Under the proposal:

- Orion will acquire all of the Gas2Grid Shares that it does not own on the Implementation Date by way of scheme of arrangement; and
- Orion will acquire all of the Gas2Grid Options by way of scheme of arrangement.

The Share Scheme is subject to a number of conditions including:

- approval for the purposes of Listing Rule 10.1 of Orion's purchase of:
  - (1) 3,242,188 Gas2Grid Shares and 4,234,066 Gas2Grid Options from Dennis Morton (being a director of Gas2Grid and also a director of Orion); and
  - (2) 27,208,132 Gas2Grid Shares and 13,370,000 Gas2Grid Options from Budside Pty Limited (being a company of which Dennis Morton is a director and sole shareholder),

  by Orion shareholders at the Orion Shareholder Meeting;
- approval of the Share Scheme by Gas2Grid Shareholders;
- approval of the Share Scheme by the Court; and
- approval of the Option Scheme by the Court.

The other conditions to the Share Scheme are discussed in section 1.8 and are set out in full in the Merger Implementation Agreement a copy of which is set out in section 12.

If the Share Scheme is implemented:

- Gas2Grid will become a wholly owned subsidiary of Orion and will be delisted from ASX; and
- Gas2Grid Shareholders will become shareholders in Orion.

The Option Scheme is subject to a number of conditions including:

- approval for the purposes of Listing Rule 10.1 of Orion's purchase of:
  - (1) 3,242,188 Gas2Grid Shares and 4,234,066 Gas2Grid Options from Dennis Morton (being a director of Gas2Grid and also a director of Orion); and
  - (2) 27,208,132 Gas2Grid Shares and 13,370,000 Gas2Grid Options from Budside Pty Limited (being a company of which Dennis Morton is a director and sole shareholder),

  by Orion shareholders at the Orion Shareholder Meeting;
- approval of the Option Scheme by Gas2Grid Optionholders;
- approval of the Option Scheme by the Court; and
- approval of the Share Scheme by the Court.

If the Option Scheme is implemented, Gas2Grid Optionholders will become optionholders in Orion.

For the Share Scheme to be implemented, the Option Scheme must also be approved and for the Option Scheme to be implemented, the Share Scheme must also be approved.

1.2 Gas2Grid Directors without a conflict

On 14 October 2009, the Gas2Grid Directors, comprising David Munns, Dennis Morton and Patrick Sam Yue, resolved to establish a sub-committee of Gas2Grid Directors without a conflict.

In determining the composition of the sub-committee of Gas2Grid Directors without a conflict, the Gas2Grid Directors considered the following:

- In relation to Dennis Morton, the Gas2Grid Directors considered that he was in a position of conflict, being a director of both Orion and Gas2Grid. Accordingly, Dennis Morton was excluded from the sub-committee.
- In relation to David Munns, the Gas2Grid Directors considered that he was not in a position of conflict because he was only a director of Gas2Grid and not Orion. The Gas2Grid Directors also considered the fact Orion has proposed that David Munns become a director of Orion after the implementation of the Merger. However, the Gas2Grid Directors considered that since the proposed terms of David Munns' appointment as a director of Orion are on the same terms as are currently applicable to other Orion non-executive directors and that such terms do not comprise significant levels of compensation or any cash or fee incentives, whether or not based on the performance of Gas2Grid or elements of Gas2Grid, there was no real or perceived conflict of interest. Furthermore, the Gas2Grid Directors considered that as he was not currently a director of Orion, he is not currently in a position of conflict.
- In relation to Patrick Sam Yue, the Gas2Grid Directors considered that he was not in a position of conflict because he was only a director of Gas2Grid and not Orion.

The purpose of the sub-committee of Gas2Grid Directors without a conflict, which consists of David Munns and Patrick Sam Yue and defined in this Scheme Booklet as the "Gas2Grid Directors without a conflict", is to deal with all matters concerning the Schemes, including:

- the appointment of professional advisors;
- the negotiation of contractual arrangements;
- the preparation of documentation to implement the Schemes;
- dealings with the regulatory authorities, shareholders and press; and
- all other actions necessary to deal with the Schemes.

Under the sub-committee protocol adopted by the Gas2Grid Directors, Dennis Morton may only participate in matters relating to the Schemes at the request of the Gas2Grid Directors without a conflict, and then only to provide assistance on limited matters from time to time.

For the purposes of Principle 2 of ASX's Corporate Governance Principles, the Gas2Grid Directors consider that:

- David Munns is not considered an "independent director" as he holds 16,021,256 Gas2Grid Shares and 6,711,800 Gas2Grid Options, respectively representing 8.8% of the Gas2Grid Shares and 17.4% of Gas2Grid Options as at the date of this Scheme Booklet;
- Dennis Morton is not considered an "independent director" as he, along with interests associated with him, hold 30,450,320 Gas2Grid Shares and 17,604,066 Gas2Grid Options, respectively representing 16.6% of the Gas2Grid Shares and 45.6% of the Gas2Grid Options as at the date of this Scheme Booklet; and
- Patrick Sam Yue is considered an "independent director".

Summaries of the interests of the Gas2Grid Directors generally are set out in section 11.4.

1.3 Alternatives to the proposed Merger

Prior to the announcement of the proposed Merger, the Gas2Grid Directors considered the following alternatives to the proposed Merger:-

(a) capital raisings by way of private placement, rights issue or an underwritten share purchase plan to fund the necessary work programs for 2010 with respect to Gas2Grid's assets – in that regard:

  (i) although Gas2Grid was approached by major shareholders as well as a broker, it had been unsuccessful in generating interest to complete such capital raisings of the size and within the timeframe required due to the adverse effects of the global financial crisis on small capitalisation companies raising risk capital in the current economic environment; and

  (ii) additionally, Gas2Grid's Directors concluded that frequent, small and on-going capital raisings would have a negative effect on Gas2Grid's share price as such offerings in the opinion of the Gas2Grid Directors are often done at a discount to market price, bearing in mind that Gas2Grid already made two small capital raisings in December 2008 and in July 2009; and

(b) a farm-out of certain exploration licences - while there was some interest following Gas2Grid's approach to possible joint venture partners, the Gas2Grid Directors considered that the time involved to complete a farm-out (including the necessary time required to conduct due diligence) would not enable Gas2Grid to recapitalise in time to satisfy its immediate work obligations, especially in relation to SC44 (the exploration licence in the Philippines).

1.4 The Share Scheme Consideration

Under the Share Scheme, Gas2Grid Shareholders will receive 1 Orion Share for every 2.25 Gas2Grid Shares held.

1.5 The Option Scheme Consideration

Under the Option Scheme, Optionholders will receive 1 Orion Option for every 2.25 Gas2Grid Options held.

The Orion Options that will be issued to Optionholders under the Option Scheme will be exercisable at an exercise price of $0.18 per share at any time on or before 5.00 pm (Sydney time) on 30 November 2010, and otherwise on the terms set out in the Schedule to the Option Scheme in section 15 of this Scheme Booklet.

Under the Deed Poll (which is set out in section 13 of this Scheme Booklet), Orion is obliged to apply for and do all such things that are reasonably necessary to procure that the Orion Options to be issued pursuant to the Option Scheme will be quoted on the stock market conducted by ASX as soon as practicable after the Effective Date for the Option Scheme.

For the full terms of the Orion Options please refer to Option Scheme which is set out in section 15.

1.6 Independent Expert

Grant Thornton was appointed by Gas2Grid to assess independently the merits of the Share Scheme and the Option Scheme. Grant Thornton, the Independent Expert, accordingly prepared a report and concluded that the Schemes are fair and reasonable and in the best interests of the Gas2Grid Shareholders and Gas2Grid Optionholders. In arriving at the conclusion that the Share Scheme is fair and reasonable, the Independent Expert stated under the heading "Proposed Share Scheme – Summary of opinion" at page 3 of the Independent Expert's Report set out in section 18 of the Scheme Booklet:

"In our assessment of the fairness of the Proposed Merger, we have compared the value of the consideration offered to GGX Shareholders following implementation of the Proposed Merger on a minority basis with the underlying value of a GGX Share prior to the Proposed Merger on a controlling basis.

The following table summarises our assessment:

Pre and post assessment	Section Reference	Low cents per share	High cents per share
Value to GGX Shareholders prior to Proposed Merger (controlling basis)	8.8	4.27	5.28
Value to GGX Shareholders after Proposed Merger (minority basis)	10.3	3.28	4.81

Source: Calculations

The high end of our assessment of the value of the consideration offered for GGX Shares on a minority basis falls within the range of our assessment of GGX Shares on a controlling basis prior to implementation of the Proposed Merger. Accordingly, we conclude that the consideration offered to the GGX Shareholders is fair."

The Independent Expert also stated:

"Whilst we have concluded that the consideration offered to GGX Shareholders is fair, we note the low end of our valuation range of the consideration offered is below our assessed value range of GGX prior to the Proposed Merger.

We note that the minimum value of the consideration offered required to ensure GGX Shareholders are not disadvantaged financially by implementing the Proposed Merger is 4.27 cents. In the event that the fair market value of the consideration offered is below 4.27 cents, then the Proposed Scheme would not be fair. However, under these circumstances we believe that the Proposed Merger is still reasonable having regard to the reasonableness considerations set out below and accordingly the Proposed Merger would remain in the best interests of GGX Shareholders."

The Independent Expert Report is set out in section 18 of this Scheme Booklet.

The Independent Expert engaged Mulready Consulting Services as the specialist in assessing the value of the petroleum assets for the purposes of the Independent Expert's Report. In addition, Mulready Consulting Services was separately engaged by Orion's independent expert for the purposes of a report in an explanatory statement for the Orion Shareholders Meeting.

Mulready Consulting Services was engaged separately under separate instructions and its report will be used by:

- Gas2Grid's Independent Expert for the purposes of the Independent Expert's Report in section 18 of this Scheme Booklet; and
- Orion's independent expert for the purpose of explanatory material required for the notices of the Orion Shareholders Meeting.

1.7 Taxation

Wiltax Consulting was engaged by Gas2Grid and Wiltax Consulting has accordingly prepared the Tax Report set out in section 10 of this Scheme Booklet.

That advice is of a general nature only and does not constitute advice as to the specific taxation consequences to you of the implementation of the Schemes and you should seek independent advice in relation to your own individual taxation position.

1.8 Conditions

The implementation of each of the Schemes is conditional upon certain conditions being satisfied or waived in accordance with the Merger Implementation Agreement. For the full conditions please refer to the Merger Implementation Agreement which is set out in section 12. A summary of the conditions precedent to implementation of the Schemes is as follows:

(a) in any agreed announcement announcing the Schemes, Gas2Grid directors unanimously state that they intend to vote in favour of the Schemes in the absence of a superior offer and recommend that Gas2Grid Shareholders and Gas2Grid Optionholders vote in favour of the respective Schemes in the absence of a superior offer;

(b) between the date of the Merger Implementation Agreement and the date of the Scheme Meetings, no Gas2Grid Director changing or withdrawing his recommendation to Gas2Grid Shareholders or Gas2Grid Optionholders to vote in favour of the respective Schemes or recommending that they do not vote in favour of the respective Schemes;

(c) Gas2Grid Shareholder approval being obtained at the Share Scheme Meeting;

(d) Gas2Grid Optionholders approval being obtained at the Option Scheme Meeting;

(e) the Court making orders under section 411(4)(b) approving the Schemes;

(f) the Schemes becoming Effective by 31 March 2010 or such other date as agreed in writing between Orion and Gas2Grid before that date;

(g) all approvals, consents or other action required from any government agency, ASIC or ASX to implement the Schemes (other than the approval of the Court of the Schemes under section 411(4)(b)) being obtained by, and have not been withdrawn before, 8.00 am (Sydney time) on the Second Court Date;

(h) that no temporary, preliminary or permanent injunction or other order, declaration or restraint or prohibition issued by any court, the Takeovers Panel or any body of competent jurisdiction or other legal restraint or prohibition preventing, or if enforced would prevent, the implementation of the Schemes in effect at 8.00 am (Sydney time) on the Second Court Date;

(i) no material adverse change occurring in relation to Gas2Grid from the date of the Merger Implementation Agreement until 8.00 am (Sydney time) on the Second Court Date;

(j) no material adverse change occurring in relation to Orion from the date of the Merger Implementation Agreement until 8.00 am (Sydney time) on the Second Court Date;

(k) no prescribed event as defined under the Merger Implementation Agreement occurring in relation to Gas2Grid from the date of the Merger Implementation Agreement until 8.00 am (Sydney time) on the Second Court Date;

(l) no prescribed event as defined under the Merger Implementation Agreement occurring in relation to Orion from the date of the Merger Implementation Agreement until 8.00 am (Sydney time) on the Second Court Date;

(m) the representations and warranties of Gas2Grid set out in the Merger Implementation Agreement being true and correct in all material respects as of the date of the Merger Implementation Agreement and as at 8.00 am (Sydney time) on the Second Court Date;

(n) the representations and warranties of Orion set out in the Merger Implementation Agreement are true and correct in all material respects as at the date of the Merger Implementation Agreement and as at 8.00 am (Sydney time) on the Second Court Date;

(o) the Merger Implementation Agreement not being terminated before 8.00 am (Sydney time) on the Second Court Date; and

(p) if and to the extent Orion shareholder approval is required under ASX Listing Rules in respect of Orion's participation in the Schemes, such share holder approval being obtained by the Second Court Date.

In relation to paragraph (p) above, the Orion Shareholders Meeting is required as ASX considers Listing Rule 10.1 applies to certain aspects of Orion's proposed participation in the Merger. Orion has advised that it intends to call a meeting to be held on or about 27 January 2010 for the purposes of Orion Shareholders approving Orion's participation in the Schemes.

Gas2Grid will make a statement regarding the status of these conditions precedent at the commencement of the Share Scheme Meeting and the Option Scheme Meeting.

1.9 Implementation of the Schemes and timing

Gas2Grid Shareholders will be asked to approve the Share Scheme at a meeting to be held on 28 January 2010. The Share Scheme is conditional on, among other things, Orion obtaining approval from its shareholders at the Orion Shareholders Meeting, the Share Scheme being approved by Gas2Grid Shareholders, the Option Scheme being approved by Gas2Grid Optionholders, and the Court approving both Schemes.

Gas2Grid Optionholders will be asked to approve the Option Scheme at a meeting to be held on 28 January 2010. The Option Scheme is conditional on, among other things, Orion obtaining approval from its shareholders at the Orion Shareholders Meeting, the Option Scheme being approved by Gas2Grid Optionholders, the Share Scheme being approved by Gas2Grid Shareholders, and the Court approving both Schemes.

If a majority of Gas2Grid Shareholders present and voting at the Share Scheme Meeting (in person or by proxy, representative or attorney), holding at least 75% of the total number of Gas2Grid Shares voted at the Share Scheme Meeting (in person or by proxy, representative or attorney), vote in favour, the Share Scheme will be approved.

If a majority of Gas2Grid Optionholders present and voting at the Option Scheme Meeting (in person or by proxy, representative or attorney), holding at least 75% of the total number of Gas2Grid Options voted at the Option Scheme Meeting (in person or by proxy, representative or attorney), vote in favour, the Option Scheme will be approved.

If the Schemes are approved by Gas2Grid's Shareholders and Gas2Grid Optionholders and all Conditions to the Schemes have been satisfied or waived, the Court will be requested to approve the Schemes. It is currently anticipated this will occur on or about 3 February 2010.

The provision of Scheme Consideration to Gas2Grid Shareholders and Gas2Grid Optionholders will be made on the Implementation Date which it is anticipated will be approximately two weeks after the date the Court approves the Schemes.

1.10 Orion's voting intentions

As at the date of this Scheme Booklet, Orion does not hold interests in any Gas2Grid Shares or Gas2Grid Options.

1.11 Deemed warranties

Gas2Grid Shareholders' attention is drawn to the warranties in clause 5.4 of the Share Scheme set out in section 14 of this Scheme Booklet that the Scheme Shareholders will be deemed to have given if the Share Scheme takes effect.

Gas2Grid Optionholders' attention is drawn to the warranties in clause 5.4 of the Option Scheme set out in section 15 of this Scheme Booklet that the Scheme Optionholders will be deemed to have given if the Option Scheme takes effect.

2. CONSIDERATIONS FOR GAS2GRID SHAREHOLDERS

2.1 Relationship with the Option Scheme

If the Option Scheme is not approved by the Optionholders or the Court, the Share Scheme will not be implemented, whether or not the Share Scheme is approved by Gas2Grid Shareholders.

2.2 What you will receive

Under the Share Scheme, you receive 1 Orion Share for every 2.25 Gas2Grid Shares held at 7.00 pm (Sydney time) on the Record Date. Any fractional entitlement equal to or greater than 0.5 will be rounded up and any fractional entitlement less than 0.5 will be rounded down.

If you sell your Gas2Grid Shares but are still on the Register at 7.00 pm (Sydney time) on the Record Date, then it is a matter between you and the buyer of those Gas2Grid Shares under the applicable market trading rules or, if traded off-market, the terms of the sale arrangement, as to delivery to buyer of Orion Shares if the Share Scheme is Implemented. Gas2Grid, Orion and their respective share registries are not obliged to inquire into or take cognisance of the rights or interests of the buyer.

2.3 Recommendation

The Gas2Grid Directors without a conflict recommend that you vote in favour of the Share Scheme, in the absence of a superior offer.

As referred to in section 1.2, Dennis Morton is a director of both Orion and Gas2Grid. Accordingly, a sub-committee of Gas2Grid Directors without a conflict (consisting of David Munns and Patrick Sam Yue), was established to consider the Schemes and protocols were adopted on 14 October 2009 so that Dennis Morton only participated in matters relating to the Schemes at the request of the Gas2Grid Directors without a conflict and then only to provide assistance on limited matters from time to time. A summary of the Gas2Grid Directors' sub-committee protocols is set out in section 1.2 of this Scheme Booklet.

Your Gas2Grid Directors without a conflict believe that the proposed Merger is in the best interests of Gas2Grid Shareholders and they unanimously recommend that, in the absence of a superior offer, you vote in favour of the Share Scheme. The reasons for their recommendation are outlined below.

The Directors who hold Gas2Grid Shares intend to vote in favour of the Share Scheme.

Details of the interests of Directors are provided in section 11.

2.4 Reasons for the recommendation

The Gas2Grid Directors without a conflict believe the possible advantages of the Merger proposal and resulting Merged Group will have followingthe benefits: for the Gas2Grid Shareholders are:-

- An expanded and more diversified portfolio of granted exploration licences located in prospective Australian and international petroleum basins without having to compete with much larger oil and gas companies to acquire or undertake the usually lengthy process of applications.
- Immediate exposure to planned exploration and appraisal drilling activities in New South Wales and the Philippines over the next 12 months.
- Funds availability to pursue planned exploration activities without recourse to capital raising in a financial market that is difficult for small exploration companies.
- A board and management with complementary skills and extensive experience in the technical, commercial and financial aspects of the international upstream oil and gas industry.
- More activity and news flow. The Merged Group will have an expanded portfolio of exploration projects and sufficient cash on hand to carry out planned exploration work. By increasing its exploration activities, the Gas2Grid Directors without a conflict believe it is likely that the frequency of announcements being released to the market will increase thereby:
  - keeping investor attention and focus on the Merged Group's activities, attracting additional interest from other potential investors; and
  - raising the Merged Group's profile with, brokers who are more likely to write reports on the activities of the Merged Group.
- The Gas2Grid Directors without a conflict believe this may, in turn, lead to higher liquidity for the securities of the Merged Group.
- Greater asset maturity mix, including a mix of relatively low risk already drilled oil and gas prospects along with high reward conventional targets.
- Increased market presence.

2.5 Disadvantages of the Merger proposal

The Gas2Grid Directors without a conflict believe the possible disadvantages of the Merger proposal are:-

- Gas2Grid Shareholders will share with Orion shareholders any future oil and gas discoveries as well as any potential increase in the value of its own assets and thereby in the value of its securities, in particular the advanced exploration stage of SC 44 (the exploration licence in the Philippines) where substantial amounts of money have already been invested by Gas2Grid. For example, the extensive planned work program for SC 44 scheduled for early 2010 may produce a petroleum discovery which Gas2Grid has targeted for a number of years. If that were to occur, the increase in value in assets is effectively shared with the Orion Shareholders.
- Gas2Grid has invested more than 2 years worth of work in the application and the grant of the exploration licence in France, St Griede. If the Schemes are implemented, Gas2Grid Shareholders will again share the benefits of that work with Orion shareholders.
- Conversely, Gas2Grid Shareholders will be exposed to new risks and obligations associated with Orion's assets to which they would not otherwise have been exposed. Details of the Risk Factors in relation to Orion and the Schemes are set out in section 9 of this Scheme Booklet.

The Gas2Grid Directors without a conflict note 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 (ie 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.

2.6 Independent Expert's conclusions about the Share Scheme

The Independent Expert has concluded that the Share Scheme is in the best interests of Gas2Grid Shareholders.

In reaching this conclusion, the Independent Expert has also made the following statements:

> "If the Proposed Share Scheme is implemented, the likely advantages include:
>
> - GGX will have immediate access to OIP's significant cash resources to further progress and expedite its extensive planned work program for its exploration asset in the Philippines (i.e. SC44) and other identified projects. If the Proposed Merger is not implemented, GGX will be required to raise additional funding on the market to further develop its existing exploration assets or enter into joint venture agreements with potential interested parties. There is uncertainty in relation to the ability of GGX on a stand alone basis to raise sufficient cash to fully fund the planned work program in relation to SC44. Furthermore, a joint venture agreement with external parties will result in GGX losing 100% control over SC44 and any future potential upside. We note that as set out in the Scheme Booklet which details the scheme of arrangement between GGX, GGX Shareholders and GGX Optionholders ("Scheme Booklet"), the Management of the Merged Group is committed to prioritise and continue to fund the work programme in relation to the SC44 exploration asset;
> - If the Proposed Merger is not implemented, GGX is likely to require additional capital, which may involve issuing additional GGX Shares. Future share market prices of GGX may be adversely affected due to uncertainty as to future funding sources to continue the development of GGX's exploration assets. Furthermore, future capital raising may be required to be undertaken at a material discount to the prevailing share price of GGX Shares and potentially with a dilution for GGX Shareholders greater than any dilution implied in the Proposed Merger. Specifically, we note that in July 2009, GGX raised approximately $1 million at a discount between 20% and 25% to the prevailing share price at that point in time;
> - Our valuation assessment of GGX on a stand alone basis incorporates the application of a full control premium in accordance with the requirements of RG111. If the Proposed Merger is implemented, GGX Shareholders will hold between 34.4% and 26.4% of the Merged Group on an undiluted and fully diluted basis respectively. We note, GGX representatives on the Board of Directors of the Merged Group will initially hold a greater proportion of the Board of Directors positions than GGX Shareholders collective holding in OIP following completion of the Proposed Merger. Specifically, GGX representatives will account for between 25% and 50% of the board of Directors of the Merged Group given the current managing director of GGX who is also the current Chairman of OIP will be appointed on the board of the Merged Group. As set out in the Notice of Meeting, the other Directors of the Merged Group will comprise of the following:
> - one existing OIP Director;
> - one existing GGX Director; and
> - the current Managing Director of OIP.
>
> Based on the discussion sets out above and board representations in the Merged Group, our valuation assessment of GGX on a stand alone basis may not warrant the application of a full control premium.
> - The Merged Group is expected to have higher market capitalisation and improved liquidity than GGX on a standalone basis. The increase in market capitalisation may provide the Merged Group with an improved profile in the market. This may have a positive impact on the Merged Group's share price and assist future capital raising activities to fund exploration projects;
> - GGX will form part of a group which has a more diversified asset base and a strong balance sheet position which could enable the Merged Group access to debt and equity markets which were previously not available;
> - GGX will gain access to more experienced management and technical personnel relating to geophysical services which it previously outsourced. GGX would be able to leverage OIP's existing in-house personnel and management which could increase day-to-day operational efficiency and as result, progress or even accelerate the development of existing exploration projects; and
> - The Merged Group will rationalise certain administrative functions and overhead structure (e.g. office premises and retaining only one listing status) which is likely to result in cost saving going forward. Our valuation assessment of the Merged Group does not incorporate any cost savings in relation to the implementation of the Proposed Merger."

The Independent Expert has estimated the value (on a controlling basis) of a Gas2Grid Share to be in the range of $0.043 to $0.053 per Gas2Grid share.

The Independent Expert's Report is set out in full in section 18.

2.7 Independent Expert's relevant considerations against the Share Scheme

The Independent Expert states:

"The likely disadvantages associated with the Proposed Share Scheme include:

- GGX Shareholders will hold a minority interest in the Merged Group. GGX Shareholders' collective interest in the Merged Group will be diluted to between 34.4% and 26.4% of the voting rights on an undiluted and fully diluted basis respectively;
- GGX Shares are currently widely spread with Dennis Morton being the largest shareholder with approximately 16.6% of the issued capital of GGX. If the Proposed Share Scheme is implemented Eastern Star Gas Limited ("ESG") will become the largest single shareholder of the Merged Group holding over 15% of the Merged Group's issued capital on an undiluted basis. ESG may have the capacity to block any potential takeover bid of the Merged Group should ESG consider not to be in its best interest at the expense of GGX Shareholders. However, we note that this is also the case in the current shareholders structure of GGX with Mr Dennis Morton holding approximately 16.6% of the issued capital;
- The enlarged oil and gas exploration assets portfolio of the Merged Group will increase future funding requirements in relation to exploration activities. The development of both GGX's and OIP's existing exploration assets will require continuous significant investments into the projects. In addition, given the early stages of the existing assets portfolio and the extended lead time of oil and gas exploration projects, it is likely to be a number of years before the exploration assets will generate steady, positive cash flows;
- The Scheme Booklet noted that after the implementation of the Proposed Merger, the Merged Group will have sufficient existing cash reserve to finance operations for the next twelve months after the merger. At that point in time, the Merged Group will need to source external funding to continue to fund future exploration activities and cover overheads and administrative costs;
- If the Proposed Schemes are not approved by the GGX Shareholders and GGX Optionholders, GGX (under certain circumstances) may be liable to pay a break fee of $0.1 million to OIP; and
- GGX Shareholders will share in any future oil and gas discoveries and relative value uplift in the GGX exploration assets with the existing OIP Shareholders whilst the main asset of OIP consists of cash which has limited or no upside potential. However, we note that any capital raisings by GGX to fund its exploration requirements will have a similar dilutionary effect for GGX Shareholders."

The Independent Expert's report is set out in full in section 18.

2.8 Other relevant considerations

(a) Implications of voting "No"

You should be aware that even if you vote "No", the Share Scheme may still be implemented if the Share Scheme is approved by the necessary majority of Gas2Grid Shareholders and the Court.

If this occurs, your Gas2Grid Shares will be treated in the same manner as all other Gas2Grid Share holders as at the Record Date and, accordingly, your Gas2Grid Shares will be transferred to Orion even though you may have voted against the Share Scheme.

(b) Implications of "Not" voting

You should be aware that even if you do not vote, the Share Scheme may still be implemented if the Share Scheme is approved by the necessary majority of Gas2Grid Shareholders and the Court.

If this occurs, your Gas2Grid Shares will be treated in the same manner as all other Gas2Grid Shareholders as at the Record Date and, accordingly, your Gas2Grid Shares will be transferred to Orion even though you did not vote on the Share Scheme.

(c) No solicitation and transaction compensation arrangements

Certain arrangements have been entered into between Gas2Grid and Orion in relation to exclusivity and transaction compensation. Under the Confidentiality and Exclusivity Agreement dated 20 October 2009, the parties agreed that during the Exclusivity Period (as defined in the agreement) Gas2Grid and Orion must not:

- solicit, initiate, encourage, facilitate or invite any third party proposals;
- participate in discussions or negotiations that may reasonably be expected to lead to a third party proposal;
- enter into any agreement, arrangement or understanding that may reasonably be expected to lead to a third party proposal;
- furnish any information that may assist a third party proposal; or
- approve or endorse any third party proposal,

and Gas2Grid and Orion must notify the other party of:

- any approach by a third party;
- any provision or request of information by a third party; and
- the identity of the third party and details of all information provided.

However, the above obligations (other than the obligations not to solicit, initiate, encourage, facilitate or invite) are subject to a fiduciary carve-out to the effect that the obligations do not apply to the extent that the board of directors of Gas2Grid or Orion (as applicable) determines in good faith and acting reasonably after consultation with its financial advisers and receiving written legal advice from external legal advisers, that any failure to respond to a Third Party Proposal or provide the required notification would be likely to constitute a breach of the directors' fiduciary or statutory obligations.

Summaries of these arrangements are set out in sections 11.9 and 11.10. The Confidentiality and Exclusivity Agreement is set out in full in section 19 of this Scheme Booklet.

(d) Break fee

The Merger Implementation Agreement specifies certain events in which Gas2Grid or Orion (as the case may be) are liable to pay to the other party a break fee of $100,000.

However, there is a fiduciary carve-out from the break fee under the Merger Implementation Agreement to the effect that the requirement to pay the break fee does not apply to the extent that a Court or the Takeovers Panel determines that the break fee is unlawful, involves a breach of directors' duties, or constitutes unacceptable circumstances.

A further summary of the break fee is set out in section 11.10. The break free provisions are set out in full in clause 11 of the Merger Implementation Agreement (which is set out in section 12 of this Scheme Booklet).

2.9 Implications of failure to approve the Share Scheme

(a) No payment of consideration

The Gas2Grid Directors without a conflict have recommended that Gas2Grid Shareholders approve the Share Scheme for the reasons set out earlier in this section. In particular, if the Share Scheme does not proceed the Share Scheme Consideration will not be paid.

(b) Continued ASX listing and intention for ongoing operations

If the Share Scheme and the Option Scheme do not proceed, Gas2Grid will remain listed on ASX and it would be the current intention of the Gas2Grid Directors without a conflict to continue operating in line with its pre-Merger announcement stated objectives. In these circumstances, Gas2Grid Shareholders who retain their shares will continue to share in any benefits and risks in relation to Gas2Grid's ongoing business.

2.10 Conditions of the Share Scheme

The obligations of Gas2Grid and Orion under the Merger Implementation Agreement, which relate to implementation of the Share Scheme, are conditional on the Conditions contained in clause 3 of the Merger Implementation Agreement, which are summarised in section 1.8, being satisfied or waived. A copy of the Merger Implementation Agreement appears in section 12 of this Scheme Booklet.

As at the date of this Scheme Booklet not all of the Conditions have been satisfied or waived.

2.11 Right to inspect and obtain copy of the Register

Under the Corporations Act, any Gas2Grid Shareholder has a right to inspect and to ask for a copy of the Register kept by Gas2Grid which contains details of the name and address of all Gas2Grid Shareholders. A copy of the Register will be made available to a Gas2Grid Shareholder on request and payment of the prescribed fee under the Corporations Act.

3. SHARE SCHEME IMPLEMENTATION

3.1 Overall effect of the Share Scheme

The Share Scheme, if implemented, will result in Orion acquiring, by a transfer of shares, all Gas2Grid Shares held by Gas2Grid Shareholders other than Orion, as at 7.00 pm (Sydney time) on the Record Date.

The effect of the Share Scheme will be that Gas2Grid Shareholders will become shareholders in Orion, Gas2Grid will become a wholly owned subsidiary of Orion and will be delisted from ASX. At the same time, the Option Scheme will become Effective with the effects described in section 5.1.

The explanation below does not deal with:

(a) taxation effects or consequences of the Share Scheme and Option Scheme, further details of which are set out in section 10 of this Scheme Booklet; or

(b) the implications of the Share Scheme and Option Scheme on the balance sheet of Orion after acquiring Gas2Grid which are described in section 6; or

(c) the broad effects of the Share Scheme Consideration and Option Scheme Consideration on Orion's capital structure which are described in section 6.

3.2 Classes of shareholders affected by the Share Scheme

Gas2Grid has only one class of shares on issue - ordinary shares. There is only one class of ordinary shareholders who will be affected by the Share Scheme, namely Gas2Grid Shareholders.

The effect of the Share Scheme on Gas2Grid Shareholders is that each Gas2Grid Shareholder will become a shareholder in Orion, and cease to be a holder of, or have any interest in, Gas2Grid Shares in return for receiving the Share Scheme Consideration.

3.3 Steps in implementing the Share Scheme

(a) On 5 November 2009, Orion and Gas2Grid entered into the Merger Implementation Agreement in relation to the Share Scheme (and the Option Scheme) under which Gas2Grid agreed to propose the Share Scheme. A copy of the Merger Implementation Agreement is included in section 12 and a copy of the Share Scheme is included in section 14.

(b) On 18 December 2009, Orion executed the Deed Poll pursuant to which Orion agreed, subject to the Share Scheme becoming Effective, to procure that Orion provide to each Gas2Grid Shareholder the Share Scheme Consideration to which such Gas2Grid Shareholder is entitled under the terms of the Share Scheme. A copy of the Deed Poll is included in section 13.

(c) On 17 December 2009 the Court ordered that Gas2Grid convene a Share Scheme Meeting of Gas2Grid Shareholders at Level 7, 10 Barrack Street, Sydney, New South Wales 2000 at 11.00 am (Sydney time) on 28 January 2010, for the purposes of approving the Share Scheme.

(d) Gas2Grid will apply to the Court for an order approving the Share Scheme if:

(1) the Share Scheme is approved by the requisite majority of Gas2Grid Shareholders voting at the Share Scheme Meeting;

(2) the Option Scheme is approved by the requisite majority of Gas2Grid Optionholders voting at the Option Scheme Meeting; and

(3) all other Conditions to the Share Scheme referred to in clause 2 of the Share Scheme have been satisfied or waived.

(e) If the Court order referred to in paragraph (d) above is obtained, then Gas2Grid will lodge with ASIC an office copy of the Court order under section 411 of the Corporations Act approving the Share Scheme.

(f) If the Share Scheme becomes Effective, then on the Implementation Date, all of the Gas2Grid Shares other than those owned by Orion will be transferred to Orion without the need for any further act by any Gas2Grid Shareholder by Gas2Grid procuring the delivery of a transfer or transfers in respect of all such Gas2Grid Shares to ASX Settlement and Transfer Corporation Pty Limited by a broker nominated in writing by Orion to effect a valid transfer of the Gas2Grid Shares to Orion under section 1074D of the Corporations Act, or, if such procedure is not available for any reason, by:

(1) Gas2Grid delivering to Orion a duly completed and executed share transfer form or forms to transfer all such Gas2Grid Shares to Orion;

(2) Orion executing and delivering to Gas2Grid the share transfer form or forms; and

(3) Gas2Grid entering the name of Orion in the Register as the holder of all of the Gas2Grid Shares.

(g) The Share Scheme will lapse and be of no further force or effect if the Merger Implementation Agreement is terminated.

3.4 Termination of the Merger Implementation Agreement

The Share Scheme is conditional on the Merger Implementation Agreement not having been terminated as at 8.00 am (Sydney time) on the date of the Second Court Hearing.

(a) Termination for breach

Either Gas2Grid or Orion may terminate the Merger Implementation Agreement by giving the other written notice at any time before 8.00 am (Sydney time) on the Second Court Date if:

(1) there is a material breach of any term or warranty of the Merger Implementation Agreement; and

(2) the entity wishing to terminate has given the other a written notice:

(A) setting out details of the breach; and

(B) stating its intention to terminate, and

(3) the breach continues to exist 7 days (or any shorter period ending at 5.00 pm (Sydney time) on the day before the Second Court Date) from the date the notice is given.

(b) Automatic termination

The Merger Implementation Agreement will terminate automatically without the need for action by Gas2Grid or Orion in the event that:

(1) the Gas2Grid Shareholders fail to approve the Share Scheme by the requisite majority at the Share Scheme Meeting;

(2) the Gas2Grid Optionholders fail to approve the Option Scheme by the requisite majority at the Option Scheme Meeting;

(3) the Court refuses to grant an order convening the Scheme Meetings, or approving the Schemes, and either:

(A) Gas2Grid and Orion fail to agree to conduct an appeal under the Merger Implementation Agreement within 5 Business Days of the Court's decision; or

(B) Gas2Grid and Orion agree to lodge an appeal under the Merger Implementation Agreement but the appeal is unsuccessful;

(4) the Schemes do not become Effective on or before 31 March 2010 or such other date as agreed in writing between Gas2Grid and Orion before that date; or

(5) if and to the extent Orion Shareholder approval is required under the ASX Listing Rules in respect of Orion's participation in the Schemes, Orion Shareholders fail to approve Orion's participation in the Schemes by the Second Court Date.

3.5 Court ordered meeting of Gas2Grid Shareholders

On 17 December 2009, the Court ordered that a meeting of Gas2Grid Shareholders be convened to consider the Share Scheme. This meeting is to be held at Level 7, 10 Barrack Street, Sydney, New South Wales 2000 at 11.00 am (Sydney time)on 28 January 2010.

The notice convening this meeting is set out in section 16 of this Scheme Booklet.

Each Gas2Grid Shareholder who is registered on the Register at 11.00 am (Sydney time) on 26 January 2010 is entitled to attend and vote, in person or by proxy or attorney or, in the case of a corporation which is a Gas2Grid Shareholder, by its representative appointed in accordance with the Corporations Act, at the Share Scheme Meeting.

For actions to be taken by Gas2Grid Shareholders who propose to attend and vote at the Share Scheme Meeting or to appoint a proxy, attorney, or,(in the case of a corporation) to appoint a representative, to attend, and vote on the shareholder's behalf, see "Action required by Gas2Grid Shareholders and Gas2Grid Optionholders" above.

3.6 Voting majority required

The voting majority to approve the Share Scheme requires votes in favour of the Share Scheme to be received from:

(a) a majority in number (more than 50%) of Gas2Grid Shareholders present and voting at the Share Scheme Meeting (in person, by proxy, by attorney or, in the case of corporate Gas2Grid Shareholders, by corporate representative); and

(b) Gas2Grid Shareholders who together hold at least 75% of the total number of Gas2Grid Shares voted at the Share Scheme Meeting.

3.7 Opposing the Share Scheme

The Corporations Act and the Federal Court Rules provide a procedure for Gas2Grid Shareholders to oppose the approval by the Court of the Share Scheme. If you are a Gas2Grid Shareholder and wish to oppose the approval of the Share Scheme at the Second Court Hearing you may do so by filing with the Court and serving on Gas2Grid a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Gas2Grid at least one day before the date fixed for the Second Court Hearing. That date is anticipated to occur on 3 February 2010. Any change to this date will be announced through ASX and notified on Gas2Grid's website.

If a Gas2Grid Shareholder does not object in accordance with these procedures, such holder may not have a right to appear at the Second Court Hearing, although the Court in its discretion could, and likely would, permit such a holder to state objections to the Court if the holder made a personal appearance at the Second Court Hearing.

If there is an objection to the Share Scheme, and in such event the Second Court Hearing is continued or adjourned, then the date of the continued or adjourned hearing will be announced through ASX and on Gas2Grid's website.

3.8 Effective Date

The Share Scheme will become Effective on the date when an office copy of the order of the Court approving the Share Scheme is lodged with ASIC or such earlier date as the Court determines and specifies in the Court order.

Gas2Grid will notify ASX on the Share Scheme becoming Effective.

Once the Share Scheme becomes Effective, Gas2Grid and Orion will become bound to implement the Share Scheme in accordance with its terms.

3.9 Determination of persons entitled to Share Scheme Consideration

(a) Dealings on or before the Record Date

For the purpose of establishing who are Gas2Grid Shareholders, dealings in Gas2Grid Shares will be recognised provided that:

(1) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as a holder of the relevant Gas2Grid Shares by 7.00 pm (Sydney time) on the Record Date; and

(2) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at or before 7.00 pm (Sydney time) on the Record Date at the place where the Register is kept.

Gas2Grid must register transfers or transmission applications of the type referred to in section 3.9(a)(2) by 7.00 pm (Sydney time) on the Record Date.

Gas2Grid will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Gas2Grid Shares received after 7.00 pm (Sydney time) on the Record Date (other than a transfer of Gas2Grid Shares to Orion in the course of implementing the Share Scheme).

If you sell your Gas2Grid Shares but are still on the Register at 7.00 pm (Sydney time) on the Record Date, then it is a matter between you and the buyer of those Gas2Grid Shares under the applicable market trading rules or, if traded off-market, the terms of the sale arrangement,as to delivery to buyer of Orion Shares if the Share Scheme is implemented. Neither Gas2Grid, Orion nor their respective share registries are obliged to inquire into or take cognisance of the rights or interests of the buyer.

(b) Dealings after Record Date

For the purpose of determining entitlements to the Share Scheme Consideration, Gas2Grid will, until the Share Scheme Consideration has been paid and issued in accordance with the Share Scheme, maintain the Register in accordance with the provisions of clause 4.2 of the Share Scheme and the Register in this form will solely determine entitlements to the Share Scheme Consideration. As from 7.00 pm (Sydney time) on the Record Date, each entry current on the Register relating to Gas2Grid Shares will cease to be of any effect other than as evidence of entitlement to the Share Scheme Consideration in respect of the Gas2Grid Shares relating to that entry.

All certificates and holding statements for Gas2Grid Shares will from 7.00 pm (Sydney time) on the Record Date cease to have any effect as documents of title in respect of such Gas2Grid Shares other than for the purpose of registering dealings in the Gas2Grid Shares as referred to in section 3.9(a).

(c) Provision of information

On or before 9.00 am (Sydney time) on the Implementation Date, Gas2Grid must give to Orion details of the names, registered addresses and holdings of Gas2Grid Shares of every Gas2Grid Shareholder as shown in the Share Register at 7.00 pm (Sydney time) on the Record Date, such details to be provided in such form as Orion may reasonably require.

3.10 Provision of Share Scheme Consideration

Within five Business Days after the Implementation Date, uncertificated holding statements for Orion Shares issued as Share Scheme Consideration will be sent by prepaid post to each Gas2Grid Shareholder at the holder's address as shown on the Register at 7.00 pm (Sydney time) on the Record Date.

3.11 Suspension of trading of Gas2Grid Shares

If the Court approves the Schemes, Gas2Grid will notify ASX of the Court approval on the Second Court Date. It is expected that suspension of trading on ASX in Gas2Grid Shares will occur from the close of business on that day.

If the Schemes become Effective, Orion will cause Gas2Grid to apply for termination of official quotation of Gas2Grid Shares on the first Business Day after the Implementation Date.

3.12 Stamp duty

No stamp duty is payable on the transfer of shares in a listed company.

4. CONSIDERATIONS FOR GAS2GRID OPTIONHOLDERS

4.1 Relationship with the Share Scheme

If the Share Scheme is not approved by Shareholders or the Court, the Option Scheme will not be implemented, whether or not the Option Scheme is approved by Gas2Grid Optionholders.

The Option Scheme is conditional on the Share Scheme becoming Effective. Therefore, if the condition is not waived, the Option Scheme cannot proceed if the Share Scheme does not become Effective.

4.2 What will you receive?

Under the Option Scheme you will receive 1 Orion Option for every 2.25 Gas2Grid Options held at 7.00 pm (Sydney time) on the Record Date. Any fractional entitlement equal to or greater than 0.5 will be rounded up and any fractional entitlement less than 0.5 will be rounded down.

The Orion Options that will be issued to Optionholders under the Option Scheme will be exercisable at an exercise price of $0.18 per share at any time on or before 5.00 pm (Sydney time) on 30 November 2010, and otherwise on the terms set out in the Schedule to the Option Scheme in section 15 of this Scheme Booklet.

Under the Deed Poll (which is set out in section 13 of this Scheme Booklet), Orion is obliged to apply for and do all such things that are reasonably necessary to procure that the Orion Options to be issued pursuant to the Option Scheme will be quoted on the stock market conducted by ASX as soon as practicable after the Effective Date for the Option Scheme.

For the full terms of the Orion Options please refer to Option Scheme which is set out in section 15.

If you sell your Gas2Grid Options but are still on the Register at 7.00 pm (Sydney time) on the Record Date, then it is matter between you and the buyer of those Gas2Grid Options under applicable market trading rules or, if traded off-market, the terms of the sale arrangement, as to delivery to buyer of Orion Options if the Option Scheme is Implemented. Gas2Grid, Orion and their respective option registries are not obliged to inquire into or take cognisance of the rights or interests of the buyer.

4.3 Recommendation

The Gas2Grid Directors without a conflict (being David Munns and Patrick Sam Yue) recommend that you vote in favour of the Option Scheme, in the absence of a superior offer.

Dennis Morton, a director of Gas2Grid is also a director of Orion. Accordingly, a sub-committee of Gas2Grid Directors without a conflict (consisting of David Munns and Patrick Sam Yue), was established to consider the Schemes and protocols were adopted on 14 October 2009 so that Dennis Morton only participated in matters relating to the Schemes at the request of the Gas2Grid Directors without a conflict and then only to provide assistance on limited matters from time to time.

A summary of the Gas2Grid Directors' sub-committee protocols is set out in section 1.2 of this Scheme Booklet.

The Gas2Grid Directors without a conflict believe that the Option Scheme is in the best interests of Gas2Grid Optionholders and they unanimously recommend that in the absence of a superior offer, you vote in favour of the Option Scheme. The reasons for their recommendation are outlined below.

The Directors who hold Gas2Grid Options intend to vote in favour of the Option Scheme.

Details of the interests of Directors are provided in section 11.

4.4 Reasons for the recommendation

The Gas2Grid Directors without a conflict believe the possible advantages of the Merger proposal and the benefits for the Gas2Grid Optionholders are:-

- An expanded and more diversified portfolio of granted exploration licences located in prospective Australian and international petroleum basins without having to compete with much larger oil and gas companies to acquire or undertake the usually lengthy process of applications.
- Immediate exposure to planned exploration and appraisal drilling activities in New South Wales and the Philippines over the next 12 months.
- Funds availability to pursue the planned exploration activities without recourse to capital raising in a financial market that is difficult for small exploration companies.
- A board and management with complementary skills and extensive experience in the technical, commercial and financial aspects of the international upstream oil and gas industry.
- More activity and news flow. The Merged Group will have an expanded portfolio of exploration projects and sufficient cash on hand to carry out planned exploration work. By increasing its exploration activities, the Gas2Grid Directors without a conflict believe it is likely that the frequency of announcements being released to the market will increase thereby:
    - keeping investor attention and focus on the Merged Group's activities; attracting additional interest from other potential investors; and
    - raising the Merged Group's profile with brokers who are more likely to write reports on the activities of the Merged Group.
- The Gas2Grid Directors without a conflict believe this may, in turn, lead to higher liquidity for the securities of the Merged Group.
- Greater asset maturity mix, including a mix of relatively low risk already drilled oil and gas prospects along with high reward conventional targets.
- Increased market presence.

4.5 Disadvantages of the Merger proposal

The Gas2Grid Directors without a conflict (being David Munns and Patrick Sam Yue) believe the possible disadvantages of the Merger proposal and resulting Merged Group for the Gas2Grid Shareholders are also applicable to the Gas2Grid Optionholders. Accordingly, please refer to section 2.5 in this Scheme Booklet in relation to the disadvantages of the Merger proposal for the Gas2Grid Shareholders.

4.6 Independent Expert's conclusions about the Option Scheme

The Independent Expert has concluded that the Option Scheme is in the best interests of Gas2Grid Optionholders.

In reaching this conclusion, the Independent Expert states in the Independent Expert's Report that certain factors relevant to Gas2Grid Shareholders are also applicable to Gas2Grid Optionholders. Please see section 2.4 in relation to the Independent Expert's conclusions about the Share Scheme. In addition, the Independent Expert also made the following statements:

> "In addition to the likely advantages and disadvantages associated with the Proposed Share Scheme, the GGX Optionholders can benefit from:
>
> - the enhanced credit profile and balance sheet of the Merged Group as compared to that of GGX;
> - the liquidity of current OIP Options is significantly greater than the liquidity of GGX Options;
> - historical and future volatility of the current GGX Options and the OIP Options to be issued to GGX Optionholders is not expected to be materially different given the exploration assets profile of GGX and OIP and the fact that GGX current exploration assets will represent the most prospective assets in the Merged Group."

The Independent Expert's Report is set out in full in section 18.

4.7 Independent Expert's relevant considerations against the Option Scheme

The Independent Expert states in the Independent Expert's Report that certain factors relevant to Gas2Grid shareholders are also applicable to Gas2Grid Optionholders. Please see section 2.7 in relation to the Independent Expert's statements on the likely disadvantages associated with the Share Scheme.

The Independent Expert's Report is set out in full in section 18.

4.8 Other relevant considerations

(a) Implications of voting "No"

You should be aware that even if you vote "No", the Option Scheme may still be implemented if the Option Scheme is approved by the necessary majority of Gas2Grid Optionholders and by the Court.

If this occurs, your Options will be treated in the same manner as all other Gas2Grid Optionholders as at the Record Date and, accordingly your Gas2Grid Options will be transferred to Orion even though you may have voted against the Option Scheme.

(b) Implications of "Not" voting

You should be aware that even if you do not vote, the Option Scheme may still be implemented if the Option Scheme is approved by the necessary majority of Gas2Grid Optionholders and the Court.

If this occurs, your Gas2Grid Options will be treated in the same manner as all other Gas2Grid Optionholders as at the Record Date and, accordingly, your Gas2Grid Options will be transferred to Orion even though you did not vote on the Option Scheme.

(c) No solicitation and transaction compensation arrangements

Certain arrangements have been entered into between Gas2Grid and Orion in relation to exclusivity and transaction compensation. Summaries of these arrangements are set out in sections 11.9 and 11.10.

(d) Break fee

Under certain circumstances, Gas2Grid may be obliged to pay Orion a break fee as set out in section 11.10.

4.9 Implications of failure to approve the Option Scheme

(a) No payment of consideration

The Gas2Grid Directors without a conflict have recommended that Gas2Grid Optionholders approve the Option Scheme for the reasons set out earlier in this section. In particular, if the Option Scheme does not proceed, the Option Scheme Consideration will not be paid.

(b) Continued ASX listing and intention for ongoing operations

If the Option Scheme and the Share Scheme do not proceed, Gas2Grid will remain listed on ASX and it would be the current intention of the Gas2Grid Directors without a conflict to continue operating in line with its pre-Merger announcement stated objectives. In these circumstances, Gas2Grid Optionholders who retain their options will continue to share in any benefits and risks in relation to Gas2Grid's ongoing business (to the extent those options are exercised).

4.10 Conditions of the Option Scheme

The obligations of Gas2Grid and Orion under the Merger Implementation Agreement, which relate to implementation of the Option Scheme, are conditional on the Conditions contained in clause 3 of the Merger Implementation Agreement, which are summarised in section 1.8, being satisfied or waived. A copy of the Merger Implementation Agreement appears in section 12 of this Scheme Booklet.

As at the date of this Scheme Booklet, not all of the Conditions have been satisfied or waived.

4.11 Right to inspect and obtain copy of the Register

Under the Corporations Act, any Gas2Grid Optionholder has a right to inspect and to ask for a copy of the Register kept by Gas2Grid which contains details of the name and address of all Gas2Grid Optionholders and other details regarding the terms of the Options. A copy of the Register will be made available to any Gas2Grid Optionholder on request and payment of the prescribed fee under the Corporations Act.

5. OPTION SCHEME IMPLEMENTATION

5.1 Overall effect of the Option Scheme

The Option Scheme, if implemented, will result in Orion acquiring by a transfer of options, all of the Gas2Grid Options held by Gas2Grid Optionholders as at 7.00 pm (Sydney time) on the Record Date.

The effect of the Option Scheme will be that Gas2Grid Optionholders will become optionholders in Orion. At the same time, the Share Scheme will become Effective with the effects described in section 3.1.

The explanation below does not deal with:

(a) taxation effects or consequences of the Share Scheme and Option Scheme, further details of which are set out in section 10 of this Scheme Booklet; or

(b) the implications of the Share Scheme and Option Scheme on the balance sheet of Orion after acquiring Gas2Grid which are described in section 6; or

(c) the broad effects of the Share Scheme Consideration and Option Scheme Consideration on Orion's capital structure which are described in section 6.

5.2 Classes of creditors of Gas2Grid affected by the Option Scheme

The only class of creditors of Gas2Grid who will be affected by the Option Scheme are the Gas2Grid Optionholders.

The effect of the Option Scheme on Gas2Grid Optionholders is that each Gas2Grid Optionholder will become an optionholder in Orion and cease to be a holder of, or have any interest in, Gas2Grid Options in return for receiving the Option Scheme Consideration.

5.3 Steps in implementing the Option Scheme

(a) On 5 November 2009, Gas2Grid and Orion entered into the Merger Implementation Agreement in relation to the Option Scheme (and the Share Scheme) under which Gas2Grid agreed to propose the Option Scheme. A copy of the Merger Implementation Agreement is included in section 12 and a copy of the Option Scheme is included in section 15.

(b) On 18 December 2009, Orion executed the Deed Poll pursuant to which Orion agreed, subject to the Option Scheme becoming Effective, to procure that Orion provide to each Gas2Grid Optionholder the Option Scheme Consideration to which such Gas2Grid Optionholder is entitled under the terms of the Option Scheme. A copy of the Deed Poll is included in section 13.

(c) On 17 December 2009, the Court ordered that Gas2Grid convene a meeting of Gas2Grid Optionholders at Level 7, 10 Barrack Street, Sydney, New South Wales 2000 at 12.00 noon (Sydney time) on 28 January 2010, for the purposes of approving the Option Scheme or as soon thereafter as the Share Scheme Meeting is concluded or adjourned.

(d) Gas2Grid will apply to the Court for orders approving the Option Scheme if:
   (1) the Option Scheme is approved by the requisite majority of Gas2Grid Optionholders voting at the Option Scheme Meeting;
   (2) the Share Scheme is approved by the requisite majority of Gas2Grid Shareholders voting at the Share Scheme Meeting and by the Court; and
   (3) all other conditions to the Option Scheme in clause 2 of the Option Scheme have been satisfied or waived.

(e) If the Court order relating to the Option Scheme referred to in paragraph (d) above is obtained, then Gas2Grid will lodge with ASIC an office copy of the Court order under section 411 of the Corporations Act approving the Option Scheme.

(f) If the Option Scheme becomes Effective, then on the Implementation Date, all of the Gas2Grid Options will be transferred to Orion without the need for any further act by any Gas2Grid Optionholder by Gas2Grid procuring the delivery of a transfer or transfers in respect of all such Gas2Grid Options to ASX Settlement and Transfer Corporation Pty Limited by a broker nominated in writing by Orion to effect a valid transfer of the Gas2Grid Options to Orion under section 1074D of the Corporations Act, or, if such procedure is not available for any reason, by:
   (1) Gas2Grid delivering to Orion a duly completed and executed option transfer form or forms to transfer all such Gas2Grid Options to Orion;
   (2) Orion executing and delivering to Gas2Grid the option transfer form or forms; and
   (3) Gas2Grid entering the name of Orion in the Register as the holder of all of the Gas2Grid Options.

(g) The Option Scheme will lapse and be of no further force or effect if the Merger Implementation Agreement is terminated.

5.4 Termination of the Merger Implementation Agreement

The Option Scheme is conditional on the Merger Implementation Agreement having not been terminated as at 8.00 am (Sydney time) on the date of the Second Court Hearing.

The Merger Implementation Agreement may be terminated in the circumstances described in section 3.4.

5.5 Court ordered meetings of Gas2Grid Optionholders

On 17 December 2009 the Court ordered that a meeting of Gas2Grid Optionholders be convened to consider the Option Scheme. The Option Scheme Meeting is to be held at Level 7, 10 Barrack Street, Sydney, New South Wales 2000 at 12.00 noon (Sydney time) on 28 January 2010 or as soon thereafter as the Share Scheme Meeting is concluded or adjourned.

The notice convening this meeting is set out in section 16 of this Scheme Booklet.

Each Gas2Grid Optionholder who is registered on the Register at 12.00 noon (Sydney time) on 26 January 2010 is entitled to attend and vote, in person or by proxy or attorney or, in the case of a corporation which is a Gas2Grid Optionholder, by its representative appointed in accordance with the Corporations Act, at the Option Scheme Meeting.

For actions to be taken by Gas2Grid Optionholders who propose to attend and vote at the Option Scheme Meeting or to appoint a proxy, attorney, or (in the case of a corporation) to appoint a representative to attend and vote on the Gas2Grid Optionholder's behalf, see "Action required by Gas2Grid Shareholders and Gas2Grid Optionholders" above.

5.6 Voting majority required

The voting majority to approve the Option Scheme requires votes in favour of the Option Scheme to be received from:

(a) a majority in number (more than 50%) of Gas2Grid Optionholders present and voting at the Option Scheme Meeting (in person, by proxy, by attorney or in the case of corporate Gas2Grid Optionholders, by corporate representative); and

(b) being a majority whose debts or claims against Gas2Grid amount in the aggregate of at least 75% of the total amount of the debts and claims of the Gas2Grid Optionholders present and voting at the Option Scheme Meeting (in person, by proxy, by attorney or in the case of corporate Gas2Grid Optionholders, by corporate representative).

Each Gas2Grid Option has the same terms and conditions and entitles the holder to be issued with a Gas2Grid Share on payment of the exercise price. For the purposes of determining the amount of debts or claims and therefore the voting entitlement, the Gas2Grid Directors without a conflict therefore consider that each Gas2Grid Option has the same debt or claim value against Gas2Grid, and accordingly each Gas2Grid Option will be entitled one vote in respect of the Option Scheme at the Option Scheme Meeting.

5.7 Opposing the Option Scheme

The Corporations Act and the Federal Court Rules provide a procedure for Gas2Grid Optionholders to oppose the approval by the Court of the Option Scheme. If you are a Gas2Grid Optionholder and wish to oppose the approval of the Option Scheme at the Second Court Hearing, you may do so by filing with the Court and serving on Gas2Grid a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Gas2Grid at least one day before the date fixed for the Second Court Hearing. That date is anticipated to occur on 3 February 2010. Any change to this date will be announced through ASX and notified on Gas2Grid's website.

If a Gas2Grid Optionholder does not object in accordance with these procedures, such holder may not have a right to appear at the Second Court Hearing, although the Court in its discretion could, and likely would, permit such a holder to state objections to the Court if the holder made a personal appearance at the Second Court Hearing.

If there is an objection to the Option Scheme, and in such event the Second Court Hearing is continued or adjourned, then the date of the continued or adjourned hearing will be announced through ASX and on Gas2Grid's website.

5.8 Effective Date

The Option Scheme will become Effective on the date when an office copy of the order of the Court approving the Option Scheme has been lodged with ASIC or such earlier date as the Court determines and specifies in the Court order.

Gas2Grid will notify ASX on the Option Scheme becoming Effective.

Once the Option Scheme becomes Effective, Gas2Grid will become bound to implement the Option Scheme in accordance with its terms.

5.9 Determination of persons entitled to Option Scheme Consideration

(a) Dealings on or before the Record Date

For the purpose of establishing who are Gas2Grid Optionholders, dealings in Gas2Grid Options will be recognised provided that:

(1) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as a holder of the relevant Gas2Grid Options by 7.00 pm (Sydney time) on the Record Date; and

(2) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at or before 7.00 pm (Sydney time) on the Record Date at the place where the Register is kept.

Gas2Grid must register transfers or transmission applications of the type referred to in section 5.9(a)(2) by 7.00 pm (Sydney time) on the Record Date.

Gas2Grid will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Gas2Grid Options received after 7.00 pm (Sydney time) on the Record Date (other than a transfer of Gas2Grid Options to Orion in the course of implementing the Option Scheme).

If you sell your Gas2Grid Options but are still on the Register at 7.00 pm (Sydney time) on the Record Date, then it is a matter between you and the buyer of those Gas2Grid Options under the applicable market trading rules or, if traded off-market, the terms of the sale arrangement, as to delivery to buyer of Orion

Options if the Option Scheme is implemented. Neither Gas2Grid, Orion nor their respective share registries are obliged to inquire into or take cognisance of the rights or interests of the buyer.

(b) Dealings after Record Date

For the purpose of determining entitlements to the Option Scheme Consideration, Gas2Grid will, until the Option Scheme Consideration has been paid and issued in accordance with the Option Scheme, maintain the Register in accordance with the provisions of clause 4.2 of the Option Scheme and the Register in this form will solely determine entitlements to the Option Scheme Consideration.

As from 7.00 pm (Sydney time) on the Record Date, each entry current on the Register relating to Gas2Grid Options will cease to be of any effect other than as evidence of entitlement to the Option Scheme Consideration in respect of the Gas2Grid Options relating to that entry.

All certificates and holding statements for Gas2Grid Options will from 7.00 pm (Sydney time) on the Record Date cease to have any effect as documents of title in respect of such Gas2Grid Options other than for the purpose of registering dealings in the Gas2Grid Options as referred to in section 5.9(a).

(c) Provision of information

On or before 9.00 am (Sydney time) on the Implementation Date, Gas2Grid must give to Orion details of the names, registered addresses and holdings of Gas2Grid Options of every Gas2Grid Optionholder as shown in the Register at 7.00 pm (Sydney time) on the Record Date, such details to be provided in such form as Orion may reasonably require.

5.10 Provision of Option Scheme Consideration

Within five Business Days after the Implementation Date, uncertificated holding statements in respect of Orion Options issued as Option Scheme Consideration will be sent by prepaid post to each Gas2Grid Optionholder at the person's address as shown on the Register at 7.00 pm (Sydney time) on the Record Date.

5.11 Suspension of trading of Gas2Grid Options

If the Court approves the Schemes, Gas2Grid will notify ASX of the Court approval on the Second Court Date. It is expected that suspension of trading on ASX in Gas2Grid Options will occur from the close of business on that day.

If the Schemes become Effective, Orion will cause Gas2Grid to apply for termination of official quotation of Gas2Grid Options on the first Business Day after the Implementation Date.

5.12 Stamp duty

No stamp duty is payable on the exchange of the Options.

6. PROFILE OF ORION

6.1 Overview of Orion

Orion is an oil and gas explorer with its focus in northern New South Wales. It holds interests in seven exploration licences located in the Surat-Bowen and Darling Basins.

The Orion board's primary strategy is to develop Orion through organic growth by discovering and developing petroleum resources in its licences and by the acquisition of appropriate interests in exploration and/or development opportunities in Australia and overseas.

Orion will pursue its exploration program using equity funds raised by its initial public offering (in this section called **IPO**) on 12 December 2007 and will also seek farm-in participants to contribute to the costs of its exploration program as part of a prudent risk management strategy.

A detailed description of Orion's exploration portfolio is provided in the independent geologist's report which forms part of the Independent Expert's Report in section 18.

6.2 Directors

Brief profiles of the directors of Orion are set out below.

Dennis J Morton

Non-Executive Chairman

Dennis Morton graduated in 1975 with First Class Honours in Geology from Macquarie University, Sydney and in the same year commenced work with Esso Australia Limited (in this section called Esso). Whilst employed by Esso, Dennis worked both in Australia and internationally. Following his employment with Esso he worked for 10 years with Hartogen Energy Limited and became Exploration Manager of the Hartogen Group. He subsequently spent 3 years as resident Australian manager for Canadian-listed Bow Valley Resources Inc., immediately prior to the parent being taken over. After a period as an executive director of Capital Energy NL and Stirling Resources NL, Dennis worked as a consultant and established the petroleum assets which formed the basis of Eastern Star Gas Limited's business (in this section called ESG) when ESG listed on ASX in 2001. Dennis was employed as Managing Director of ESG from its formation until he retired in October 2007. In April 2008, Dennis was appointed Managing Director of ASX listed oil and gas explorer Gas2Grid.

Dennis has 33 years experience in the upstream oil and gas industry with specialist expertise and success in conventional oil and gas and coal seam gas in Australia and South East Asia.

Dennis was appointed a Non-Executive Director of Orion on incorporation in 2007 and Chairman of Orion in October 2009. He is a member of the Audit Committee and Remuneration Committee of Orion.

Russell D Langusch

Managing Director

Russell Langusch holds the degrees of Bachelor of Engineering (Electrical – First Class Honours) and Master of Engineering Science from the University of Queensland, Brisbane. He is an independent energy consultant with over 34 years combined experience in the upstream oil and gas and finance industries. Russell commenced his career with Schlumberger working in many international locations in a multitude of roles including petroleum engineering, petrophysics, sales-marketing and management. He was then employed by Esso as a senior reservoir engineer before joining the finance sector in 1987. In the finance sector Russell worked for a number of international investment banks undertaking company research and corporate advisory activities. He established his own successful consultancy business in 2001 providing independent research reports, project assessments, financial modelling, corporate advisory services and expert valuations for many domestic and international clients. For the period of 2004 to 2008, Russell was the founding Managing Director of Elixir Petroleum, a dual ASX and AIM-listed exploration and production company based in London with assets in the UK North Sea, Gulf of Mexico and West Africa. Russell is a member of the Society of Petroleum Engineers and the Australasian Institute of Mining & Metallurgy.

Russell was appointed Managing Director of Orion in October 2009.

Ashley V Edgar

Non-Executive Director

Ashley Edgar has a Bachelor of Applied Science in Applied Geology from the Queensland University of Technology and a Graduate Diploma of Environmental Studies from the University of Adelaide. Ashley has 24 years experience in conventional and coal seam gas exploration and development. From 1985 to 1994, Ashley worked with Santos Limited primarily on areas in the Cooper, Surat and Carnarvon Basins. Prior to joining ESG in August 2007 where he is currently General Manager of Exploration and New Ventures, Ashley occupied various positions at Origin Energy Limited including Exploration Manager Coal Seam Gas and Manager International New Opportunities and Ventures. His most recent position was Manager Exploration and Production Geoscience Onshore which included responsibility for exploration and development geoscience covering both conventional and coal seam gas assets in the Surat, Bowen, Perth, Cooper/Eromanga and Otway Basins as well as onshore new ventures. Ashley was a key part of the team which established Origin Energy Limited's coal seam gas business.

Ashley was appointed Non-Executive Director of Orion in 2007. He is a member of the Audit Committee of Orion.

6.3 History and corporate structure

History

Orion listed on ASX on 12 December 2007 (ASX: OIP) after achieving maximum over subscription as part of its IPO. Petroleum assets acquired from ESG formed the basis of the IPO. ESG remains as one of Orion's major shareholders with a stake of approximately 23%.

Corporate Structure

There are no subsidiary companies in the corporate structure with all assets and licence interests held by Orion.

6.4 Principal activities of Orion

Orion is an oil and gas exploration company with ambitions of becoming a petroleum producer. Orion operates seven conventional petroleum joint ventures in the Surat-Bowen and Darling Basins of northern New South Wales and is exploring the coal seam gas (in this section called CSG) potential of its four licences in the Surat-Bowen Basin. In the latter area Orion has interests in PELs 6, 427, 428 and 455 and in the Darling Basin it holds a 100% interest in PELs 422 and 424 and the newly awarded PEL 471.

In almost two years since listing, Orion has drilled two exploration wells, acquired two seismic surveys and participated in the drilling of two coal seam gas coreholes. In May 2008, the Willaroo-1 exploration well in PEL 6 recovered a small amount of oil on test, which was the first of its kind in New South Wales. Later that year the Nyngynderry-1 well in PEL 8 was drilled to a total depth of 2,266 m KB but was plugged and abandoned in October 2008 after failing to encounter hydrocarbons. PEL 8 was subsequently relinquished after post-drilling studies concluded that the licence contained limited remaining prospectivity for petroleum.

Orion's exploration licences are reasonably close to pipeline and transport infrastructure which will assist in field development in the event of a commercial discovery in any of Orion's licences. The underutilised Moomba-Sydney gas line transects Orion's Darling Basin licences, and proximity to infrastructure in the Surat-Bowen area will further improve if the proposed Hunter-Wallumbilla pipeline is installed.

6.5 PEL 6, PEL 422 and PEL 424

PEL 6 is due to expire on 8 December, 2009. Orion has applied for a renewal of PEL 6 for a further four years without any relinquishments, but is yet to receive confirmation of the approval. PEL 422 and PEL 424 are due to expire within three months of the date of this Scheme Booklet. In respect of PEL 422 and PEL 424, the revised work programs have been accepted by Industry and Investment NSW in July 2009, with the final year commitment still under negotiation and renewal work program under preparation. Orion has advised Gas2Grid that it does not have any reason to believe the above application and requests would not be granted.

6.6 Recent financial position and performance of Orion

On 22 October 2009, Orion lodged a copy of the 2009 Orion Annual Report with the ASX, and it was considered at the Annual General Meeting held on 26 November 2009.

The 2009 Orion Annual Report contains more detailed information about Orion's assets, business and operations, structure and shareholders' profile. It also includes a copy of the audited financial statements of Orion for the year ended 30 June 2009.

Gas2Grid Shareholders and Gas2Grid Optionholders can view the 2009 Orion Annual Report on the Orion website (www.orionpetroleum.com.au) or on the ASX website (www.asx.com.au). Any Gas2Grid Shareholder or Gas2Grid Optionholder who would like a copy of the 2009 Orion Annual Report can call the information line on 1300 659 062 Monday to Friday between 9.00 am and 5.00 pm (Sydney time) and a copy will be sent to them free of charge.

As at 30 September 2009, Orion's cash balance had decreased to approximately $12.527 million. By the end of October 2009 the cash funds stood at $12.22 million following the payout of two former Orion directors for the sum of approximately $343,000.

Apart from the movement in cash funds described above, there have been no other significant changes in assets or liabilities since the audited financial statements of Orion for the year ended 30 June 2009 were lodged as part of the 2009 Orion Annual Report.

6.7 Public announcements by Orion

For details of documents lodged with ASX by Orion since 30 June 2009, please refer to Annexure B. Gas2Grid Shareholders and Gas2Grid Optionholders can view the full text of announcements made to ASX on the Orion website (www.orionpetroleum.com.au) or on the ASX website (www.asx.com.au).

6.8 Announcement by Orion in relation to the Merger

On 5 November 2009 Orion made an Announcement to ASX in relation to the Merger proposal. A copy of that Announcement is contained in Annexure D of this Scheme Booklet.

6.9 Information about Orion securities

(a) Orion's issued securities

As at the date of this Scheme Booklet, Orion's issued securities consisted of:

- 155,000,000 fully paid ordinary shares;
- 115,000,000 listed options; and
- 5,050,000 unlisted options.

(b) *Directors' interests in Orion securities*

As at the date of this Scheme Booklet, the directors of Orion had the following relevant interests in Orion securities:

Director	Registered Holder	No of Orion Shares	No of Orion Options
Dennis Morton	Budside Pty Ltd (Budside Super Fund)	1,000,000	1,000,000
	Dennis Morton	500,000	500,000
Russell Langusch	-	Nil	Nil
Ashley Edgar	Ashley Edgar	550,000	500,000

(c) *Substantial holders*

As at the date of this Scheme Booklet, the substantial holders in Orion were:

Substantial Holder	No of Orion Shares held	Voting Power
Eastern Star Gas Limited	35,750,000	23.1%
Ingalls & Snyder LLC	22,700,000	14.6%
Albers Group	11,508,773	7.4%

(d) *Trading of Orion Shares*

The latest recorded closing price of Orion Shares on ASX before the Announcement (ie 4 November 2009) was $0.10 per Orion Share.

The latest recorded closing price of Orion Shares on ASX before the date on which this Scheme Booklet was lodged with ASIC (ie 30 November 2009) was $0.091 per Orion Share.

The highest recorded closing price of Orion Shares on ASX in the four months before the Announcement (ie 23 July 2009) was $0.17 per Orion Share.

The lowest recorded closing price of Orion Shares on ASX in the last four months before the Announcement (ie 29 October 2009) was $0.10 per Orion Share.

The closing price range of Orion Shares since the Announcement to the last trading date before the date of this Scheme Booklet (ie 18 December 2009) was $0.070 (ie 18 December 2009) to $0.12 (ie 10, 11 and 12 November 2009) per Orion Share.

(e) *Dividends*

There have been no dividends declared by Orion since listing on the ASX on 12 December 2007.

(f) *Rights and liabilities attaching to the Orion Shares*

Orion Shares issued pursuant to these Schemes are ordinary shares.

The rights attaching to the Orion Shares are set out in Orion's constitution and may also be regulated by the Corporations Act, ASX Listing Rules, ASTC Settlement Rules and the general law.

A copy of the constitution is available for inspection at Orion's registered office during normal business hours.

This summary of the rights and liabilities attaching to the Orion's Shares is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of holders of Orion shares.

Orion shares

Orion's constitution provides that the Orion board may issue Orion shares or Orion options. An Orion share may be issued with any preferred, deferred or other special right or restriction, whether in relation to dividend, voting, repayment of capital, or otherwise, as approved by special resolution of Orion.

Voting rights

Subject to Orion's constitution and any rights or restrictions attaching to any share class, at any general meeting, each Orion shareholder in person, by proxy, by attorney or by representative, is entitled to one vote on a show of hands, and one vote for each fully paid Orion share held by the Orion shareholder on a poll.

General meeting and notices

Subject to the Corporations Act, Orion must hold an annual general meeting at least once in each calendar year and within 5 months after the end of its financial year.

The Orion board shall call and arrange to hold a general meeting on request in writing received by Orion from Orion shareholders with at least 5% of the votes that may be cast at the meeting or at least 100 Orion shareholders who are entitled to vote at the meeting. In the event that the Orion board fails to call the meeting, Orion shareholders with more than 50% of the votes of all the Orion shareholders requesting the meeting, may call and arrange to hold the meeting.

The quorum for any general meeting is 5 Orion shareholders entitled to vote. If there is no quorum present within 30 minutes after the specified time for the meeting, then:

- if the meeting was called on request of Orion shareholders or by Orion shareholders under the Corporations Act, the meeting is dissolved; and
- in any other case, the meeting is adjourned to any day, time and place the Orion directors decide.

If a quorum is not present within 30 minutes after the time appointed for an adjourned meeting, the meeting is dissolved.

Each Orion shareholder, a proxy, attorney or representative of an Orion shareholder and the auditor are entitled to receive notice of and attend, and subject to the law and the Listing Rules, vote at general meetings of Orion.

Dividends

Subject to any special rights or restrictions attaching to an Orion share, the Orion directors may pay dividends as they decide but only out of profits. Orion is not liable to pay any interest in relation to any dividend. Subject to the issue provisions of that Orion share, dividends must be paid proportionately on and in compliance with the share payment amount of that Orion share.

Dividend reinvestment plan

The Orion directors may implement a dividend reinvestment plan on any terms under which the dividends of participants are applied in subscribing for securities of Orion or a related body corporate.

Dividend selection plan

The Orion directors may implement a dividend selection plan on any terms under which participants may choose to receive a dividend from Orion out of profits derived from a particular source or to forego a dividend from Orion in place of another distribution from Orion or another body corporate or trust.

Variation of class rights

Subject to the Corporations Act and the issue provisions of Orion shares of that share class, the rights attaching to any share class may be varied or cancelled with the written consent of 75% of Orion shareholders of that share class, or by a special resolution passed at a separate general meeting of the shareholders of that share class.

The creation or issue of new Orion shares ranking equally with a class of Orion shares already on issue with preferred or other special rights does not vary or cancel any class rights.

Transfer of shares

Shareholders may transfer any Orion shares by a written document in any common form or other form approved by the Orion directors, or any method of transferring shares recognised and permitted under the Corporations Act. All transfers must comply with Constitution, the Listing Rules, the ASTC Settlement Rules and the Corporations Act.

Orion must not prevent, delay or interfere with the generation of a proper ASTC transfer. However, Orion may ask ASTC to apply a holding lock to prevent a proper ASTC transfer where permitted by the Corporations Act or the Listing Rules. Orion must ask for the application of such a holding lock if the Corporations Act or the Listing Rules so require.

Winding up

In the event of liquidation, the surplus assets of Orion, after the repayment of all paid-up capital, may be distributed among Orion shareholders in proportion to the Orion shares held by them.

Shareholding statements

Orion will issue share certificates to any Orion share holder at the discretion of the Orion directors and without charge to that Orion shareholder, in compliance with the Corporations Act, except where the paperless shares provision applies.

Directors – appointment and removal

The minimum number of directors is 3 and the maximum is 9.

Orion shareholders in general meeting may increase or reduce the number of directors and decide in what rotation the increased or reduced number retires. The Orion directors may appoint a director and the Orion shareholder in general meeting may appoint a director.

Directors of Orion cease to be a director if the Corporations Act so provides, the director resigns, the Orion shareholders in general meeting remove the person as a director, the director is absent, without the consent of the directors from all directors' meetings over any 6 month period, the director becomes mentally incapable and the director's estate or property has had a personal representative or trustee appointed to administer it or the director automatically retires in accordance with Orion's constitution.

Directors – voting

The directors may pass a resolution without a directors' meeting being held by way of circulating resolution.

The quorum for a directors' meeting is 2 directors unless the directors otherwise decide. Issues arising at a meeting of directors will be decided by majority vote.

Directors – remuneration

The directors are entitled to receive remuneration for their services, as decided by the directors, not exceeding in aggregate any maximum amount approved by Orion in general meeting.

Orion's constitution provides for Orion to pay any travelling or other costs properly incurred by the director in carrying out the business of Orion. Special remuneration may also be paid to any director who performs extra service, travels or resides overseas for the benefit of Orion in addition to the director's normal remuneration.

Indemnities

Orion indemnifies any present or previous director or secretary against any liability incurred by the person as an officer of Orion and may pay a premium for a contract insuring an officer of Orion against that liability.

Proportional takeovers

If offers are made under a proportional takeover bid for securities of Orion the registration of a transfer giving effect to a takeover contract for the bid is prohibited unless and until a resolution to approve the bid is passed at a meeting, convened and conducted by Orion, of the persons entitled to vote on the resolution or by means of a postal ballot conducted by Orion. Such an approving resolution

that has been voted on or is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50% and otherwise is taken to have been rejected.

(g) Dividend reinvestment

Orion currently does not have a dividend reinvestment scheme.

(h) Employee share and option plan

To attract, motivate and retain key officers, employees, consultants and contractors Orion has in place an employee incentive scheme known as the Employee Incentive Plan (in this section called EIP). Under the EIP, Orion Shares and Orion Options may be offered by the Orion directors at their discretion for acquisition by eligible persons only. An eligible person means a full time or part time employee, officer, consultant or contractor of Orion or any controlled entity of Orion. While offers to take up Orion Shares under the EIP will be at market value as at the date of the offer of those Orion Shares, the incentive for EIP participants to accept the offer is the granting of an interest-free loan by Orion to fund all or part of the purchase price.

The Orion directors will, at their discretion, determine the exercise price of each Orion Option offered under the EIP. However, no Orion Option will be offered at an exercise price of less than $0.20 per Orion Share or the market value of a share as at the date of the offer of the Orion Option.

To date 800,000 Orion Options have been issued to eligible persons under the EIP, in particular employees and consultants. Full details are provided in the 2009 Orion Annual Report.

Gas2Grid Shareholders and Gas2Grid Optionholders can view the 2009 Orion Annual Report on the Orion website (www.orionpetroleum.com.au) or on the ASX website (www.asx.com.au). Any Gas2Grid Shareholder or Gas2Grid Optionholder who would like a copy of the 2009 Orion Annual Report can call the information line on 1300 659 062 Monday to Friday between 9.00 am and 5.00 pm (Sydney time) and a copy will be sent to them free of charge.

6.10 Maximum consideration

(a) Share Scheme

The maximum dollar value of Orion Shares which would be required to be issued in connection with the Share Schemes if the Share Scheme is implemented, calculated as at the date of this Scheme Booklet, is approximately $7,403,733.

The maximum number of Orion Shares which would be required to be issued in connection with the Share Scheme if the Share Scheme is implemented, calculated as at the date of this Scheme Booklet, is approximately 81,359,703 (subject to rounding).

Orion has the capacity to issue the maximum number of Orion Shares which it may be required to issue under the Share Scheme.

(b) Option Scheme

The maximum number of Orion Options which would be required to be issued in connection with the Option Scheme if the Option Scheme is implemented, calculated as at the date of the Scheme Booklet, is approximately 17,148,632 (subject to rounding).

6.11 Interest of Orion's directors in Gas2Grid securities and the Merger proposal

Dennis Morton has an interest in 30,450,320 Gas2Grid Shares and 17,604,066 Gas2Grid Options. This represents 16.6% of the Gas2Grid Shares and 45.6% of the Gas2Grid Options on issue as at the date of this Scheme Booklet. In addition, he holds 1,500,000 Orion Shares and 1,500,000 Orion Options. This represents 1% of the Orion Shares and 1.2% of the Orion Options on issue as at the date of this Scheme Booklet. If the Share Scheme and Option Scheme are implemented Dennis will hold interests in approximately 6.4% of the total number of Orion Shares on issue and 6.8% of the total number of Orion Options on issue as at the date of this Scheme Booklet.

Except as disclosed elsewhere in this Scheme Booklet, no Orion director holds as at the date of this Scheme Booklet, or has held in the two years before the date of this Scheme Booklet, an interest in the Merger or Gas2Grid.

Except as disclosed elsewhere in this Scheme Booklet, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit to, any Orion director to induce that person to become or to qualify as an Orion director. In that regard, reference should be made to section 8.2 regarding a proposal to appoint David Munns to the Board of Orion if (and after) the Schemes are Implemented.

6.12 Dealings in Gas2Grid securities

Dennis Morton was issued 3,242,188 Gas2Grid Shares on 30 November 2009 as payment for outstanding director's fees and management fees. This represents 1.77% of the Gas2Grid Shares on issue following the issue to Dennis Morton.

Except as disclosed elsewhere in this Scheme Booklet, neither Orion nor any of its associates has provided, or agreed to provide, or has received or agreed to receive, consideration for any Gas2Grid Shares under a sale, purchase or agreement for sale or purchase of Gas2Grid Shares during the four months ended on the day immediately before the date of this Scheme Booklet.

Except as disclosed elsewhere in this Scheme Booklet, during the period of four months ended on the day immediately before the date of this Scheme Booklet, neither Orion nor any of its associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- vote in favour of the Schemes; or
- dispose of Gas2Grid Shares,

which was not offered to all Gas2Grid Shareholders.

6.13 Interests of Orion in Gas2Grid Shares

At the date of this Scheme Booklet, Orion does not hold interests in any Gas2Grid Shares or Gas2Grid Options.

7. PROFILE OF GAS2GRID

7.1 Introduction

Gas2Grid is an oil and gas exploration company incorporated in Australia on 22 December 2004 and listed on the ASX since May 2005. Gas2Grid has exploration licences in Philippines, France and Australia.

7.2 Recent financial position and performance of Gas2Grid

(a) Annual and half year reports

On 30 September 2009, Gas2Grid lodged a copy of the 2009 Gas2Grid Annual Report with the ASX, and it was considered at the Annual General Meeting held on 27 November 2009.

The 2009 Gas2Grid Annual Report contains more detailed information about Gas2Grid Group's assets, business and operations, structure and shareholders' profile. It also includes a copy of the audited consolidated financial statements of the Gas2Grid Group for the year ended 30 June 2009.

Gas2Grid Shareholders and Gas2Grid Optionholders can view the 2009 Gas2Grid Annual Report on the Gas2Grid website (www.gas2grid.com) or on the ASX website (www.asx.com.au). Any Gas2Grid Shareholder or Gas2Grid Optionholder who would like a copy of the 2009 Gas2Grid Annual Report can call the information line on 1300 659 062 Monday to Friday between 9.00 am and 5.00 pm (Sydney time) and a copy will be sent to them free of charge.

(b) ASX disclosures by Gas2Grid since 30 June 2009

Since 30 June 2009 Gas2Grid has made a number of announcements to ASX that may be relevant to its financial position. A summary of the material ASX disclosures by Gas2Grid is set out in Annexure A. Gas2Grid Shareholders and Gas2Grid Optionholders can view the full text of announcements made to ASX on the Gas2Grid website (www.gas2grid.com) or on the ASX website (www.asx.com.au).

(c) Recent Gas2Grid Share and Gas2Grid Option price performance

The latest recorded closing price of Gas2Grid Shares on ASX before the Announcement (ie 4 November 2009) was $0.06 per Gas2Grid Share.

The latest recorded closing price of Gas2Grid Shares on ASX before the date on which this Scheme Booklet was lodged with ASIC (ie 30 November 2009) was $0.05 per Gas2Grid Share.

The highest recorded closing price of Gas2Grid Shares on ASX in the four months before the Announcement (ie on 12 October 2009) was $0.081 per Gas2Grid Share.

The lowest recorded closing price of Gas2Grid Shares on ASX in the last four months before the Announcement (ie 21 August 2009, 1, 2, 15, 16 and 29 September 2009) was $0.055 per Gas2Grid Share.

The closing price range of Gas2Grid Shares since the Announcement to the last trading date before the date of this Scheme Booklet (ie 18 December 2009) was $0.034 (ie 27 November 2009) to $0.058 (ie 12, 13 and 16 November 2009) per Gas2Grid Share.

No Gas2Grid Options have been traded on the ASX since they were issued on 16 December 2008.

7.3 EP 453

Gas2Grid notes that it has not yet been registered as the title holder in respect of EP 453. Although the sale and purchase agreement dated 28 March 2008 in respect of EP 453 was entered into by Gas2Grid, the application for approval, transfer form and executed title transfer instrument, as required by the Department of Mines and Petroleum, have not been lodged as at the date of the Scheme Booklet. Although the sale and purchase agreement provide that such approval from the Department of Mines is required to be obtained before taking effect, and the risks set out in section 9 are to be noted, the transfer documents are currently being progressed for lodgement, and Gas2Grid has no reason to believe that it would not be approved.

7.4 SC44

Gas2Grid notes that in respect of SC44 it is likely the work obligations for the third sub-phase will not be met within the set timeframe. This has the potential consequence of Gas2Grid forfeiting the security bond of US$1 million and jeopardising its position as contractor under the SC44. Please see section 9 for risks in relation to regulatory approvals and work commitments. However Gas2Grid is of the view, after discussion with the Philippines Department of Energy that, there is no concern from the Department regarding the likely late completion of the programme, and that Gas2Grid's tenure with respect to SC 44 is not at serious risk provided that a substantial portion of the revised work programme is undertaken over the next 6 to 12 months.

7.5 Announcement by Gas2Grid in relation to Merger

On 5 November 2009, Gas2Grid made an announcement to ASX in relation to the Merger proposal. A copy of that announcement is contained in Annexure C of this Scheme Booklet.

8. PROFILE OF MERGED GROUP

8.1 Post Merger intentions for the Group

This section sets out the Merged Group's intentions in relation to:

- the continuation of the business of Gas2Grid;
- any major changes to the business of Gas2Grid and any redeployment of the fixed assets of Gas2Grid; and
- the future employment of the present employees of Gas2Grid.

Final decisions will only be reached by the Merged Group in light of material facts and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intentions only which may vary as circumstances require.

8.2 Intentions on Merger of Gas2Grid

(a) Work programme

Based on the information available to Orion, Orion intends to use the Merged Group's combined cash funds to fund an active exploration programme over the next 12 to 18 months in respect of the Merged Group's assets. In particular, Orion intends to undertake the following work programme, subject to final board approval in light of all the material facts and circumstances at that time, and availability of rigs, contractors and necessary permits and approvals.

(b) Board and management

Orion intends to offer David Munns to become a non-executive director of Orion after the Schemes have become Effective. If David Munns consents and is appointed, the board of Orion will comprise:

- Dennis Morton – Non-Executive Chairman;
- Russell Langusch – Managing Director;
- David Munns – Non-Executive Director; and
- Ashley Edgar – Non-Executive Director.

After the Schemes have become Effective, Orion intends to review the positions of all employees and service providers, including corporate and technical management, in light of its proposed work programme and in all relevant circumstances at the time. Following the review and depending on the results of that review, it is possible some of Orion's employees and service providers may be made redundant or have their services terminated. However, at this stage and based on the information available to Orion on the date of this Scheme Booklet, Orion does not currently believe any employees or service providers of Orion will be made redundant or terminated after the implementation of the Merger.

	2009	2010				2011			
Work program	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Philippines									
Workover programme	■	■							
Seismic programme to establish new reservoir targets		■							
Exploration/appraisal wells			■	■			■	■	
Bowen-Surat Basin									
PEL 6: Toenda-1 exploration well		■							
PEL 455: Whalan Creek exploration well				■					
PEL 6: Potential Willeroo-1 followup							■		
Aquitaine Basin									
Seismic reprocessing	■	■							
Aero-gravity survey	■								
400km seismic survey to identify reservoir targets			■	■					
Exploration well							■		
Canning Basin									
Farm-out & undertake 2-well drilling programme				■	■				
Coal Seam Gas									
PEL 6: 3 coreholes (Gwydir-1; Milguy-1; Willow-Park-1)	■	■							
PEL 455: Desktop assessment for farm-out		■							
PEL 455: CSG coreholes				■				■	

(c) Business integration

Orion also intends that essential corporate functions of Gas2Grid, which includes company secretarial, share registry, finance, accounting, audit and payroll work which is currently outsourced by Gas2Grid, will be undertaken in-house by Orion. Depending on the circumstances following the Scheme becoming Effective, Orion does not intend to conduct major changes to the Gas2Grid business including any redeployment of fixed assets.

(d) Employees

Gas2Grid has no employees at the date of this Scheme Booklet.

8.3 Corporate activities and strategy

Orion intends that the Merged Group will continue the current activities of Orion and Gas2Grid across a diverse geographic asset portfolio in petroleum regions. Specifically, it intends to have a clear focus on conventional oil and gas exploration through low risk initiatives aiming to deliver immediate value and thereby increase shareholder returns through share price appreciation.

8.4 Synergies

Orion expects that the Merged Group will result in some reduction of corporate overheads in the provision of services for share registry, company secretarial and audit. There will also be some savings in occupation of office premises as the business of Gas2Grid may be run from the offices of Orion. However, corporate overheads are not expected to be significant to the Merged Group and the cost saving is not considered a material factor for the Merger.

8.5 Dividend policy

No dividends have been declared by Orion since listing on the ASX on 10 December 2007. The Merged Group does not anticipate paying a dividend for the financial year ending 30 June 2010. The Merged Group intends to review its dividend policy on an annual basis.

8.6 Capital structure of Merged Group

Details of the share structure of the Merged Group showing the percentage of Orion being held by Gas2Grid Shareholders following implementation of the Schemes are set out in the table below:

Capital structure of Merged Group

	Orion Shares	Orion Options	Total
Number of securities on issue in Orion at the date of the Scheme Booklet	155,000,000 (1)	120,050,000 (1)	275,050,000
Number of securities to be issued under the Scheme to Gas2Grid security holders (subject to effect of rounding)	81,359,703 (2)	17,148,632 (2)	98,508,335
Number of securities on issue after implementation of the Merger	236,359,703	137,198,632	373,558,335
Percentage of securities on issue in Orion held by Gas2Grid security holders after implementation of the Merger	34.422%	12.499%	26.4%

Notes:

(1) see section 6.9(a);

(2) see sections 2.2 and 4.2 in conjunction with 11.6.

Details of some of the substantial shareholders of Orion showing the changes in shareholding from pre-Merger to post-Merger are set out below:

Substantial Shareholders vs Non Substantial Shareholders in Merged Group						
Shareholders	Pre Merger Share Holdings		Merged Group Share Holdings	Orion Holdings as a percentage		
	Gas2Grid	Orion		Pre Merger %	Post Merger %	Post Merger (fully diluted) %
Eastern Star Gas Limited		35,750,000	35,750,000	23.1% (1)	15.1%	9.6%
Ingalls & Snyder LLC		22,700,000	22,700,000	14.6% (1)	9.6%	15.1%
Dennis Morton	30,450,320	1,500,000	15,033,476	1.0% (2)	6.4%	6.3%
Albers Group (Ernest G Albers) (3)	12,463,380	11,508,773	17,048,053	7.4% (1)	7.2%	4.6%
David Munns	16,021,256	-	7,120,558	-	3.0%	2.7%
Darren Reeder	10,000,000	-	4,444,444	-	1.9%	1.2%

Notes:

(1) See section 6.9(c).

(2) See section 6.9(b).

(3) The Albers Group consists of Octanex NL, Gascorp Australia Pty Ltd and Sacrosanct Pty Ltd.

8.7 Pro forma consolidated financial statements for the Merged Group

(a) Basis of preparation

The unaudited consolidated pro forma balance sheet of the Merged Group as at 30 June 2009 (**Pro Forma Balance Sheet**) has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards.

The historical financial information is based on the audited financial statements for Orion and Gas2Grid for the year ended on 30 June 2009. The Pro Forma Balance Sheet has been prepared for illustrative purposes and in summary form only to reflect the Pro Forma Balance Sheet of the Merged Group after the implementation of the Schemes, as if the Schemes were effective on 30 June 2009. Except as expressly noted, no adjustments have been made for transactions or actual financial results of Orion or Gas2Grid after 30 June 2009.

The Pro Forma Balance Sheet has been prepared in accordance with the accounting policies of Orion which are in material respects the same as those adopted by Gas2Grid as set out in their audited financial statements for the year ended 30 June 2009. Copies of the financial statements of Orion and Gas2Grid (on which the historical financial information was based) can be found at the Orion and Gas2Grid websites: www.orionpetroleum.com.au and www.gas2grid.com respectively.

The financial information in this section has been prepared by Orion and Gas2Grid, and the directors of both Orion and Gas2Grid take responsibility for this information. The Pro Forma Balance Sheet:

- is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information that are usually provided in an annual report under the Corporations Act;
- should be read in conjunction with the accounting policies of Orion and Gas2Grid and the risk factors in section 9 and other information in this Scheme Booklet; and
- is subject to risks and uncertainties that may result in the actual financial position being significantly different than that stated in the Pro Forma Balance Sheet.

The key assumptions on which the Pro Forma Balance Sheet has been prepared are as follows:

- in respect of the acquisition accounting adjustments, the effective date of the Schemes is assumed to be on 30 June 2009 for the purposes of preparing the Pro Forma Balance Sheet;
- the fair value of Gas2Grid is assumed to be $8,736,000 which is the value implied by the offer of 81,359,703 Orion Shares and 17,148,632 Orion Options;
- the number of Orion Shares offered has been calculated on the basis of 183,059,332 Gas2Grid Shares that are on issue at 30 November 2009 (after taking into account of 27,154,844 shares issued by Gas2Grid after 30 June 2009) and the offer ratio set out in section 2.2 of the Scheme Booklet;
- the number of Orion Options offered has been calculated on the basis of 38,584,422 Gas2Grid Options on issue at 30 November 2009 and the offer ratio set out in section 4.2 of the Scheme Booklet;
- none of the Gas2Grid Options on issue at 30 November 2009 are exercised;
- the value of an Orion Share ($0.10) is the closing price on ASX on 4 November 2009 (the date prior to signing the Merger Implementation Agreement);
- the fair value of an Orion Option ($0.035) has been calculated using the Black-Scholes valuation methodology with the inputs set out below;

Issue date	5 November 2009
Exercise price	$0.18
Average share price	$0.10
Life assumption	13 months
Expected dividend yield	Nil
Risk free rate	4.77%
Expected price volatility of Orion's share	127.4%

- an amount of $660,000 has been estimated as the cost of implementing the Schemes.

The above assumptions have been adopted for illustrative purposes for the Pro Forma Balance Sheet only, and may differ from the accounting entries that are actually made following implementation of the Schemes, if the Schemes are implemented.

(b) Pro Forma Balance Sheet

	Orion Audited Balance Sheet as at 30 June 2009*	Gas2Grid Audited Consolidated Balance Sheet as at 30 June 2009*	Pro Forma Unaudited Consolidated Balance Sheet as at 30 June 2009*
	$ 000	$ 000	$ 000
ASSETS			
Current Assets			
Cash and cash equivalents	12,770	784	(1) 13,945
Trade and other receivables	-	132	132
Inventory	198	-	198
Other current assets	124	-	124
Other financial assets at fair value	-	3	3
Total Current Assets	13,092	919	14,402
Non-current Assets			
Plant and equipment	181	3	184
Exploration and evaluation expenditure and rights	1,676	6,018	(2) 10,244
		-	
Total Non-current Assets	1,857	6,021	10,428
Total Assets	14,949	6,940	24,830
LIABILITIES			
Current Liabilities			
Trade and other payables	188	338	(3) 197
Provisions	15	-	15
Total Current Liabilities	203	338	212
Non-current Liabilities			
Deferred tax liabilities	-	1,607	1,607
Trade and other payables	-	189	189
Total Non-current Liabilities	-	1,796	1,796
Total Liabilities	203	2,134	2,008
NET ASSETS	**14,746**	**4,806**	**22,822**
EQUITY			
Contributed equity	21,282	10,717	29,418
Reserves	69	(244)	(4) 669
Accumulated loss	(6,605)	(5,667)	(5) (7,265)
Total Equity	**14,746**	**4,806**	**22,822**

* Rounded to nearest thousand dollars

(1) Increased by the net cash proceeds of $1,051,000 from 21,315,000 shares issued on 7 July 2009 less estimated merger transactions costs of $660,000.

(2) Increased by $2,550,000 being the fair value of Gas2Grid ($8,736,000) implied by 81,359,703 Orion Shares issued at $0.10 per share issued to Gas2Grid Shareholders and 17,148,632 Orion Options at $0.035 per option issued to Gas2Grid Optionholders less the adjusted book value of Gas2Grid net assets of $6,186,000 at 30 June 2009. The book value of Gas2Grid net assets has been adjusted by an increase in cash of $1,051,000 from 21,315,000 shares issued on 7 July 2009, increase in accounts payable of $45,000 for directors' fees for the September 2009 quarter and reduction in account payables of $374,000 satisfied by the issue of 5,839,844 shares on 30 November 2009.

(3) Reduced by fees payable to Gas2Grid Directors Messrs Munns and Morton of $373,750 ($328,750 owing at 30 June 2009 plus fees of $45,000 for September 2009 quarter) which were satisfied by issue of 5,839,844 Gas2Grid Shares on 30 November 2009.

(4) Increased by $600,000 from the issue of 17,148,632 Orion Options at $0.035 per option.

(5) Increased by estimated merger transaction costs of $660,000 and fees to Gas2Grid Directors of $45,000 relating to the September 2009 quarter.

(c) *Acquisition Accounting*

The excess of the assumed Gas2Grid fair value of $8,736,000 over the carrying value of the underlying recognised assets and liabilities as at 30 June 2009 (as adjusted see section 8.7(b)(2)), amounted to $2,550,000 and is allocated to intangibles (Exploration and evaluation expenditure and rights) for the purposes of this Scheme Booklet. The fair value of the consideration transferred and the fair value of the identifiable assets and liabilities acquired will need to be determined at the acquisition date in line with AASB 3 Business Combinations (AASB 3). A final purchase price allocation has not been performed and is therefore not factored into this illustration.

AASB 3 requires that all business combinations are accounted for using the purchase method. This involves assigning fair values at the settlement date to the identifiable assets, liabilities and contingent liabilities, including intangible assets assumed.

A formal analysis of the fair value of the net assets acquired by Orion will be performed after implementation of the Merger. Orion is permitted to adjust the assessment of fair values up to 12 months following the implementation of the Merger with the amounts being classified as provisional during any interim reporting period. Any adjustments to these fair values will likely have an impact on the intangibles recorded and could have an impact on any potential depreciation and amortisation charges in future financial periods.

(d) *Notes*

The actual balance sheet of the Merged Group as at the time the Merger is implemented cannot be determined until the Merger is completed and the Orion Shares and Orion Options are issued in exchange for Gas2Grid Shares and Gas2Grid Options.

The actual intangibles amount will depend on:

- in respect of the valuation of the Orion Shares – the closing price for Orion Shares; and
- for assessing the fair value of the Orion Options using the Black-Scholes valuation methodology - the Orion Share price, the risk free rate, the expected volatility of Orion Shares and the remaining term of the Orion Options,

at the time the Merger is implemented.

Market prices for Orion Shares and Orion Options can fluctuate up or down as a result of market conditions (see section 9 on risks). Accordingly, the actual goodwill amount may be less or more at the implementation of the Merger than recorded in the Pro Forma Balance Sheet.

Views may differ on the application of the Black-Scholes valuation model in particular circumstances, especially in respect of expected volatility of shares (in this case Orion Shares).

(e) *No material change*

In accordance with the Listing Rules both Gas2Grid and Orion have issued quarterly cash flow reports for the financial quarter ended 30 September 2009. Copies can be found on the Orion and Gas2Grid websites at www.orionpetroleum.com.au and www.gas2grid.com respectively. Copies are also available on ASX at www.asx.com.au.

Other than as set out in the pro forma adjustments and the 30 September 2009 cash flow reports, the directors of Gas2Grid and of Orion are not aware of any material change to the financial position of those companies respectively between 30 June 2009 and the date of this Scheme Booklet.

The Independent Expert was provided with the information in this section 8 for use in the Independent Expert's Report included at section 18 of this Scheme Booklet.

(f) *Financial forecasts*

The boards of Gas2Grid and Orion believe they do not have a reasonable basis to provide an earnings forecast for the Merged Group. Accordingly, Gas2Grid and Orion believe that the inclusion of financial forecasts for the Merged Group would be unduly speculative and potentially misleading and have declined to include financial forecasts in this Scheme Booklet.

9. RISK FACTORS

9.1 Scheme specific risks

The Gas2Grid Directors without a conflict believe that shareholders and optionholders of Orion and Gas2Grid (as the case may be) may be exposed to the following specific risks:

- under the Schemes, Orion may issue a significant number of new Orion Shares. Some Gas2Grid Shareholders and Orion shareholders may not intend to continue to hold their Orion Shares and may wish to sell them on ASX. There is a risk that if a significant number of Gas2Grid Shareholders and/or Orion shareholders seek to sell their Orion Shares, there may be an adverse impact on the market price of Orion Shares;
- the Merger Group may only have sufficient cash reserves to fund necessary work programs with respect to its exploration licences in the immediate future (ie over the next twelve months) and may need to raise additional debt or equity funding to maintain its work programs involving significant ongoing capital expenditure after this period unless it is able to find parties willing to fund the cost of further work programs by farming into the exploration licences;
- the Merged Group may find it difficult to either raise additional debt or equity funding (either at all or on commercially acceptable terms) or find farmin partners (at all or on commercially acceptable terms) alternate funding;
- title to certain exploration licences may be revoked if the Merged Group cannot maintain the minimum work commitments necessary to maintain those licences in good standing under applicable laws, although at this stage neither Orion nor Gas2Grid anticipates this occurring; and
- Orion shareholders and optionholders may be exposed to risks associated with operating in the overseas jurisdictions that Gas2Grid is currently operating such risks being generally described as:
    - sovereign or political risk, risk of avid commotion or disturbance which may result in loss or damage to permits or assets;
    - foreign currency fluctuation risks which may result in negative or positive impact on Orion's reported profits or losses which in time may impact on the values of its securities and the price at which they trade on ASX; and
    - possible fluctuation in the trading price of Orion's securities on ASX depending on market sentiment on foreign sovereign/political risk, foreign currencies, and foreign economic conditions generally and specifically in the jurisdictions in which Gas2Grid operates.

9.2 General risks

The financial performance and operations of Orion's business, the value of Orion Shares and the amount and timing of any dividends that Orion pays will be influenced by a range of factors. Many of these factors are beyond the control of Orion.

The risks and uncertainties described below are not the only ones that may affect Orion's business or the value of Orion Shares. Additional risks and uncertainties not presently known to Orion or that Orion currently believes to be immaterial may also adversely affect Orion's business and operations or your investment in Orion Shares. If any of the matters included in the following risks were to occur, Orion's business, financial condition, results of operations, cash flows or prospects, or the value of your Orion Shares, could be materially adversely affected.

9.3 Stock market fluctuations

The price of shares listed on ASX may rise or fall due to numerous factors which may affect the market performance of Orion, irrespective of Orion's operating performance. These factors include:

- general economic conditions, including inflation rates and interest rates;
- variations in the local and global markets for listed stocks, in general, or for resource or energy and oil and gas stocks, in particular;
- changes to government policy, legislation or regulation;
- inclusion or removal of the shares from major market indices;
- the nature of the competition in the industries in which Orion operates; and
- general operational and business risks.

In particular, the share price of many companies has in recent times been subject to fluctuations. In many cases these fluctuations may reflect a diverse range of influences that are not specific to these companies such as commodity prices, currency movements, interest rates, global hostilities and tensions, acts of terrorism and general economic conditions. Such market fluctuations may materially and adversely affect the market price of the shares.

Accordingly, the shares may trade on ASX at higher or lower prices than the offer price. Similarly, the level of dividends that may be paid in the future in respect of Orion Shares can move either up or down and it is possible that Orion may not pay any dividends.

No assurances can be given that Orion's market performance will not be adversely affected by any such market fluctuations or factors. None of Orion, its directors or any other person guarantees Orion's market performance.

9.4 Changes in regulatory environment

Changes to laws, regulations and accounting standards which apply to Orion from time to time could materially and adversely impact on the operating and financial performance and cash flows of Orion. Changes in attitudes of governmental authorities could mean that previously stated views or practices may change, which could lead to unexpected and detrimental consequences for any existing or pending applications for tenements for Orion and Gas2Grid.

Changes in the taxation laws of Australia and other countries in which Orion has an interest could also materially affect operating results of Orion.

9.5 General economic conditions

Economic conditions that could impact on Orion's operating costs, profit margins and the price of Orion Shares include:

- movements in the Australian dollar and world commodity prices;
- economic conditions in Australia and overseas;
- movements in domestic and international interest rates, inflation and share markets; and
- changes in industrial production impacting on commodity demand.

9.6 Commodity prices

Orion's financial position, operating results and future growth depend closely on the market price of oil internationally and gas in the countries in which it operates. If Orion becomes a producer of petroleum products its future revenue stream will be dependent on prices realised for crude oil, natural gas and natural gas liquids. In many cases, particularly for crude oil and liquid hydrocarbons, global prices are commonly designated in US dollars.

Large fluctuations in response to changes in demand or supply of crude oil and to a lesser extent natural gas and various other factors, whether or not as a result of market uncertainty or industry and macroeconomic factors beyond the control of Orion, including actions taken by OPEC, political instability, governmental regulation, forward selling by producers, climate, inflation, interest rates and currency exchange rates, may affect Orion's financial position and financial performance.

9.7 Political risks

War, terrorist attacks and hostilities anywhere in the world can result in a decline in economic conditions worldwide or in a particular region, which could produce an adverse effect on the business, financial position and financial performance of Orion.

9.8 Title to tenements

There is a risk Orion may lose title to petroleum tenements if conditions attached to licences are changed or not complied with. There is also a risk that regulatory authorities may exercise their discretion to reject applications for tenements that may be in progress, which could have detrimental consequences to the financial position or assets of Orion or Gas2Grid.

9.9 Native title

It is possible that a form of native title reflecting the entitlement of indigenous inhabitants to traditional lands may exist on Orion's tenements. In such cases exploration and/or mining restrictions may be imposed or claims for compensation could be forthcoming.

9.10 Exchange rates

Orion may be exposed to rapid and material movements in exchange rates, in particular the A$/US$ exchange rate.

Adverse movements in exchange rates relating to equity investments, commodities or project operating costs, or increased price competitiveness in response to movements in exchange rates may materially adversely impact the operational and financial performance and cash flows of Orion.

9.11 Financial and further funding requirements

In undertaking its business (including pursuing opportunities for future growth), Orion may undertake investments. To finance such investments, Orion or a subsidiary or associate may incur debt or may seek to raise capital. Such actions and the terms on which such funding could be obtained may have a material adverse impact on Orion's financial position.

Further, the proposed use of funds may vary depending on the progress of Orion's work program, technical studies, business development, market prices, availability of material and services and general operational and logistical risks faced during project development. These variations may result in a shortfall in funding which will need to be met from working capital surpluses, further capital raisings or alternative funding sources.

Orion's business plan will require significant further investment of capital although the terms of any such further capital raisings are presently unknown. There is a risk that Orion may not be able to raise such capital.

9.12 Exploration, development and production risks

Petroleum production operations may be hampered by a variety of circumstances which may not be within the control of Orion. Exploration is a speculative endeavour which may not result in finding resources of economic value.

The business of petroleum exploration, project development and production by its nature contains elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- the timing of revenues;
- the discovery and/or acquisition of economically recoverable reserves and resources;
- successful conclusions to bankable feasibility studies;
- access to adequate capital for project development;
- design and construction of efficient production and processing facilities within capital expenditure budgets;
- obtaining consents and approvals necessary for the conduct of exploration and production;
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced operators, employees, contractors and consultants;
- access to drilling and well equipment; and
- adverse weather conditions over a prolonged period that can adversely affect exploration and production operations.

9.13 Reliance on key management

The responsibility of overseeing the day-to-day operations and the strategic management of Orion is substantially dependent on its management and its key personnel. There can be no assurance given that there will be no detrimental impact on Orion if one, or a number of these employees cease their employment.

Orion's future success also depends on its continuing ability to attract and retain highly qualified personnel. The ability to attract and retain the necessary personnel could have a material effect on Orion's business, operations and financial condition.

9.14 Regulatory licences, approvals and applicable laws

Orion will from time to time require various government regulatory approvals for its operations and must comply with those approvals and applicable laws, regulations and policies. In particular, Orion may require licences and approvals in relation to production activities, environmental matters and the production of oil and gas. There is a risk that Orion may not obtain, or there may be delay in obtaining, the necessary licences and approvals. Stringent conditions may also be imposed on such licences and approvals. This may affect the timing and scope of work that can be undertaken. Further, a failure to comply with a licence, approval or applicable law may affect the timing and scope of work that can be undertaken. Failure to comply with work commitments may result in the forfeiture of security bonds or guarantees that could adversely affect the financial position of Orion or Gas2Grid.

9.15 Environmental risks

Various environmental laws impact and influence Orion's operations in the jurisdictions in which it operates. As with the industry in general, compliance with existing and anticipated regulations increases the overall cost of business. Further, Orion may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent Orion from undertaking the desired activities. Environmental regulations have historically been subject to frequent change and, therefore, one cannot predict with certainty the future costs or other future impacts of environmental regulations on future operations. If Orion fails to comply with environmental laws it may be subject to liabilities to the government and third parties, including civil and criminal penalties. New laws or regulations, or modifications of or new interpretations of existing laws and regulations, may increase substantially the cost of compliance or adversely affect oil and gas operations and financial conditions.

9.16 Operational and technical risks

The successful implementation of Orion's business plan and objectives could be adversely affected by the following factors:

- hazards encountered in the exploration and development of oil and gas properties such as unusual or unexpected formations, high formation pressures, adverse oceanographic conditions or other factors inherent in drilling and operating wells;
- industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally-pressured formations and environmental hazards, the occurrence of any of which could result in substantial losses to Orion;
- any liability for pollution, blow-outs or other hazards against which Orion or the operator does not insure or against which it may elect not to insure because of high premium costs or for other reasons; or
- hydrocarbon reserves estimates which are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available. In addition, reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate.

If any of these issues were to arise this could have a detrimental effect on Orion's operations.

WILTAX CONSULTING PTY LTD

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30 November 2009

The Directors

Gas2Grid Limited

c/ Mitchell Partners

Level 7 10 Barrack Street,

SYDNEY NSW 2000

Dear Sirs

RE: TAX CONSEQUENCES OF SCHEME OF ARRANGEMENT FOR SHARE AND OPTION HOLDERS

Introduction

Wiltax Consulting Pty Ltd has been asked to provide this report as a broad summary of the income tax and GST considerations for shareholders and option holders in Gas2Grid Limited (G2G) if they implement the proposed Scheme of Arrangement with Orion Petroleum Limited (Orion).

Our report is based on current interpretation of the income tax and GST legislation, case law and ATO Public Rulings relevant as at this date.

This report is specifically provided for the benefit of G2G shareholders and option holders that are residents of Australia for income tax purposes. Shareholders and option holders that are **not** residents of Australia will need to take more specific advice including the implications in their own country of residence. The taxation implications for G2G Australian resident shareholders and option holders may differ according to their particular circumstances. Accordingly, Australian resident G2G shareholders and option holders should obtain their own professional advice in case their particular circumstances generate answers differing from the more general as described below.

While Australian taxation laws tend to be complex, the drafting style adopted has been necessarily general in nature.

Description of Proposed Offer by Orion Petroleum Limited

Orion will merge with G2G via two Schemes of Arrangement. Under the proposed Schemes, each G2G:

- shareholder will receive one Orion share for every 2.25 G2G shares held; and
- option holder will swap their options and will receive one Orion option for every 2.25 G2G options held, with the terms and conditions including time to run being exactly the same as exist currently for their G2G options.

Liability is Limited by a Scheme under Professional Services Legislation

Income Tax Consequences for Share Traders and Holders of Revenue Assets

The transfer of ownership of the G2G shares will be a disposal for income tax purposes in the hands of the former shareholder. The generally accepted view is that the value of the consideration received (being the shares in Orion) will be valued based on the market value of the shares received from Orion on the day the ownership of the Orion shares passes to the former G2G shareholder.

The swap of the option in G2G will be treated as a disposal of it for income tax purposes. The consideration for that disposal to be the replacement option in Orion, with its value (i.e. the Orion option) being determined on the day the Orion options legally pass to the former Gas2Grid option holders.

Issues such as cost base of the disposed shares and options will be totally dependent upon a wide range of issues including trading stock elections. These will require specific advice from your tax advisor on your particular circumstances.

Income Tax Consequences for Investors

In this context, investors should be seen as taxpayers holding the G2G shares and/or options as long term investors, where their tax consequences will be exclusively covered by the capital gains tax (CGT) provisions of the income tax legislation.

The CGT provisions provide the opportunity for shareholders and option holders to defer the taxing point on the disposal of the G2G shares and/or options until the date when the shareholder and/or option holder disposes of their substituted shares and/or options in Orion. There are specific conditions in the CGT rollover relief provisions that will need to be satisfied. These include that:

- the shareholder and/or option holder as the case may be specifically elect for the rollover;
- by the completion of the steps under the Schemes of Arrangement, Orion will need to have acquired acceptances for not less than 80% of the issued capital of G2G; and
- the G2G shareholder and/or option holder as the case may be, would generate a capital gain (as distinct from a capital loss) from the disposal.

Where the rollover relief is available and the shareholder so elects, the otherwise capital gain is deferred as above and the cost base that taxpayer had in the G2G shares or options then becomes that taxpayers cost base in the Orion shares or options as the case may be.

In the event that the exchange of shares and options for a particular taxpayer will involve a capital loss on those G2G securities, the rollover relief will not be available and the taxpayer will generate a capital loss that can be deducted against current and potentially future capital gains. Again the value of the consideration will be the market value of the shares or options as the case may be in Orion on their day of issue. The new Orion shareholder or option holder would then have a cost base in those Orion shares and options equal to the market value of those securities on the day of their issue/acquisition (as above from the Scheme of Arrangement).

Goods and Services Tax Consequences

The disposal of shares and options in G2G and the acquisition of shares and options in Orion pursuant to the Schemes of Arrangement will not attract goods and services tax as such transactions will be input tax transactions.

DISCLAIMERS

Wiltax Consulting Pty Ltd does not hold any shares in either listed company. We are not financial advisers, do not hold any dealers licences and will not provide any advice relating to valuation of securities.

We offer no comments on the application of stamp duty other than to note that we have been informed the G2G shares and options and the Orion shares and options are listed securities.

Wiltax Consulting Pty Ltd makes no recommendation of any nature to any G2G shareholder or option holder as to the offer. Further we are not in possession of any pecuniary interest or have or may possess any interest in the promotion of G2G or Orion that could be reasonably regarded of being capable of affecting our ability to provide the above unbiased opinion on taxation matters. We will, however, receive a reasonable professional fee for the preparation of this advice.

Yours faithfully

M.L.Williamson
Director

11. ADDITIONAL INFORMATION

11.1 Documents available for inspection

Copies of the following documents are available for inspection at the registered office of Gas2Grid during normal business hours on any Business Day up until the Record Date:

- constitution of Gas2Grid;
- constitution of Orion;
- annual reports of Gas2Grid and Orion for the financial year ended 30 June 2009;
- Merger Implementation Agreement;
- Deed Poll by Orion; and
- written consents referred to in this Scheme Booklet.

11.2 Creditors of Gas2Grid

The Option Scheme will affect the interests of Gas2Grid Optionholders as creditors of Gas2Grid.

The Schemes, if implemented, are not expected to materially prejudice Gas2Grid's ability to pay its creditors as they involve the acquisition of shares in Gas2Grid. No material new liability (other than transaction costs) is expected to be incurred by Gas2Grid as a consequence of the implementation of the Schemes. Gas2Grid has paid and is paying all of its creditors within normal terms of trade and is solvent and trading in an ordinary commercial manner.

11.3 Directors of Gas2Grid

The Directors in office at the date of this Scheme Booklet are:

Name	Office Held
David Munns	Chairman (Non-Executive)
Dennis Morton	Managing Director
Patrick Sam Yue	Non Executive Director

11.4 Interests of Directors of Gas2Grid

(a) Gas2Grid marketable securities

The number of Gas2Grid Shares and Gas2Grid Options in which the Directors have a relevant interest as at the date of this Scheme Booklet are:

Director	Registered Holder	No of Gas2Grid Shares	No of Gas2Grid Options
David Munns	David Munns	16,021,256	6,711,800
Dennis Morton	Budside Pty Ltd <Employees Superannuation Fund>	30,450,320	13,370,000
	Dennis Morton	-	4,234,066
Patrick Sam Yue	-	-	-

Except as set out above, there are no marketable securities of Gas2Grid held by or on behalf of any Director or to which such persons are entitled, as at the date of this Scheme Booklet.

(b) Provision of services arrangements with Gas2Grid

Budside Pty Ltd, a company controlled by Dennis Morton, provides consultancy services to Gas2Grid and fees of $11,000.00 (including GST) are payable per month. The services may be terminated at any time by either party with one month's notice or payment in lieu of notice. Fees of $25,000.00 per annum are also payable to Budside Pty Ltd for provision of Morton's services as a Director of Gas2Grid.

Oni Design Pty Ltd, a company controlled by Mr Patrick Sam Yue, provides consultancy services to Gas2Grid and fees of $8,800.00 (including GST) are payable per month. The services may be terminated by either party at any time with one month's notice or payment in lieu of notice. Fees of $25,000.00 per annum are also payable to Oni Design Pty Ltd for provision of Patrick Sam Yue's services as a Director of Gas2Grid.

(c) Directors' and officers' payments and benefits

Except as otherwise described in this Scheme Booklet, there is no payment or other benefit that is proposed to be made or given to any Director, secretary or executive officer of Gas2Grid as compensation for the loss of, or as consideration for or in connection with his retirement from office in Gas2Grid.

(d) Orion marketable securities

As at the date of this Scheme Booklet, interests in marketable securities of Orion held by the Directors or their associates are as follows:

Director	Registered holder	Orion Shares	Orion Listed Options	Orion Unlisted Options
Dennis Morton	Budside Pty Ltd (Budside Super Fund)	1,000,000	1,000,000	-
	Dennis Morton	500,000	-	500,000
Patrick Sam Yue	W V M and M L Sam Yue <Samyue Super Fund a/c>	-	-	400,000
	Kev Capital Pty Ltd	50,000	50,000	-

(e) Other interests

Other than as set out below and elsewhere in this Scheme Booklet, there are no agreements or arrangements (including arrangements to make payments or provide benefits) made between any Director and any other person in connection with or conditional on the outcome of the Schemes.

Other than interests held by Dennis Morton through Budside Pty Ltd is 1.3333333% overriding royalties in each of PEL 422 and PEL 424 held by Orion, no Director has any other interest in a contract entered into by Orion.

Except as disclosed elsewhere in this Scheme Booklet, there are no material interests of any Director in relation to the Schemes.

11.5 Intentions of the Gas2Grid board

If the Schemes become Effective and the board of Gas2Grid is reconstituted by Orion as described in section 8, it is for the reconstituted board to determine its intentions as to:

- the continuation of the business of Gas2Grid;
- any major changes to be made to the business of Gas2Grid; and
- the future employment of the present employees of Gas2Grid.

The current intentions of Orion with respect to these matters are set out in section 8.

If the Share Scheme does not become Effective, the Gas2Grid Directors without a conflict presently intend to continue the business of Gas2Grid and do not presently intend to make any major changes to the business objectives of Gas2Grid, whether in respect of the redeployment of its assets or the future employment of the present employees of Gas2Grid or otherwise, from the business objectives of Gas2Grid before the Merger was announced on 5 November 2009.

11.6 Gas2Grid securities and substantial shareholders

(a) Gas2Grid's issued securities

As at the date of this Scheme Booklet, Gas2Grid's issued securities consisted of:

- 183,059,332 Gas2Grid Shares; and
- 38,584,422 Gas2Grid Options at an Exercise Price of $0.08 and due to expire on 30 November 2010.

(b) Substantial shareholders

The table below is an extract from Gas2Grid's register of substantial shareholders as at the date of this Scheme Booklet, showing the Gas2Grid Shareholders, the number of equity securities in which they have a relevant interest and the voting power represented by those securities.

11.7 Particulars of dealings

(a) Except for the Gas2Grid Shares issued to Dennis Morton as payment for outstanding director's fees and management fees referred to in section 6.12 and as disclosed elsewhere in this Scheme Booklet, neither Orion nor any associate of Orion provided, or agreed to provide, consideration for any Gas2Grid Shares under any arrangement or agreement during the four months before the date of this Scheme Booklet.

(b) Except as disclosed elsewhere in this Scheme Booklet, during the period of four months before the date of this Scheme Booklet, neither Orion nor any associate of Orion gave or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- vote in favour of the Share Scheme or the Option Scheme; or
- dispose of Gas2Grid Shares or Gas2Grid Options,

which benefit is not offered to all Gas2Grid Shareholders or Gas2Grid Optionholders under the Share Scheme or the Option Scheme.

11.8 Disclosure of fees and other benefits

Orion has proposed that David Munns become a non-executive director of Orion following implementation of the Merger on the same terms as are currently applicable to other Orion non-executive directors. David Munns has indicated he is willing to consent to becoming an Orion director if (and after) the Merger is completed. No payment or benefit has been given or agreed to be given in respect of this proposal other than receipt of the Share Scheme Consideration and the Option Scheme Consideration in common with all Gas2Grid Shareholders and Gas2Grid Optionholders.

Except as disclosed above and elsewhere in this Scheme Booklet, no one has paid or agreed to pay any fees, or provided or agreed to provide any benefit to:

- a director or proposed director of Orion to induce them to become or to qualify as a director of Orion;
- any interested person for services provided by that person in connection with:
  - the formation or promotion of Orion; or
  - the offer of Orion Shares under the Share Scheme or the offer of Orion Options under the Option Scheme.

Gas2Grid Shareholder	Date of most recent notice	Gas2Grid Shares	Voting Power	Percentage of Gas2Grid Shares	Gas2Grid Options	Percentage of Gas2Grid Options
Dennis Morton	30 November 2009	30,450,320	30,450,320	16.6%	17,604,066	45.6%
David Munns	30 November 2009	16,021,256	16,021,256	8.8%	6,711,800	17.4%
Ernest Albers	07 December 2009	12,463,380	12,463,380	6.8%	-	-
Darren Reeder	20 July 2009	10,000,000	10,000,000	5.5%	-	-

The persons named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet are:

- Piper Alderman - Piper Alderman are named as lawyers to Gas2Grid, and will be entitled to receive professional fees charged in accordance with their normal basis of charging.
- Kemp Strang - Kemp Strang are the lawyers to Orion, and will be entitled to receive professional fees charged in accordance with their normal basis of charging.
- Grant Thornton – Grant Thornton is the Independent Expert who provided the Independent Expert's Report. Grant Thornton will be paid as set out in section 11.14.
- Mulready Consulting Services – Mulready Consulting Services provided a report to the Independent Expert in relation to the value of the petroleum assets, for the purposes of the Independent Expert's Report. Mulready Consulting Services will be paid as set out in section 11.14; and
- Wiltax Consulting – Wiltax Consulting provided the Tax Report. Wiltax Consulting will be paid as set out in section 11.15.

11.9 Exclusivity

Gas2Grid and Orion have entered into a Confidentiality and Exclusivity Agreement that provides that until the earlier of 14 December 2009 or implementation of the Schemes, Gas2Grid must not:

- solicit, initiate, encourage, facilitate or invite any third party proposals;
- participate in discussions or negotiations that may reasonably be expected to lead to a third party proposal;
- enter into any agreement, arrangement or understanding that may reasonably be expected to lead to a third party proposal;
- furnish any information that may assist a third party proposal; or
- approve or endorse any third party proposal,

and must advise Orion of:

- any approach by a third party;
- any provision or request of information by a third party; and
- the identity of the third party and details of all information provided.

However, the above obligations (other than the obligation not to solicit, initiate, encourage, facilitate or invite) are subject to a fiduciary carve out. The full terms of the Confidentiality and Exclusivity Agreement are set out in section 19.

11.10 Break fee

Under the Merger Implementation Agreement, Gas2Grid must pay a fee to Orion if any of the following events occur:

- any Gas2Grid Director withdraws his/her recommendation of the Schemes and one or both of the Gas2Grid Shareholders approval and Gas2Grid Optionholders are subsequently not obtained, unless Gas2Grid was entitled to terminate the Merger Implementation Agreement, or unless an independent expert appointed by Gas2Grid gives an opinion that any one or both of the Schemes are not in the best interests of the Gas2Grid Shareholders and/or Gas2Grid Optionholders;
- any Gas2Grid Director publicly recommends a competing proposal prior to the termination of the Merger Implementation Agreement;
- a third party takes control of Gas2Grid or a substantial part of its assets; and
- Orion terminates the Merger Implementation Agreement under certain circumstances.

The break fee payable by Gas2Grid is $100,000.

Orion has agreed to pay Gas2Grid a break fee if:

- Gas2Grid terminates the Merger Implementation Agreement for material breach by Orion;
- Orion causes the termination of the Merger Implementation Agreement except in certain circumstances; and
- a third party takes control of Orion or a substantial part of its assets.

The break fee payable by Orion is $100,000.

11.11 No unacceptable circumstances

The Gas2Grid Directors without a conflict believe that the Merger does not involve any circumstances in relation to the affairs of any Gas2Grid Shareholder or Gas2Grid Optionholder that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

11.12 ASIC relief

Gas2Grid has been granted an exemption by ASIC from the requirements to include certain information in relation to creditors' schemes of arrangement as required by sections 411(3)(b) and 412(1)(a)(ii) of the Corporations Act and Regulation 5.1.01(1)(a) and Part 2, Schedule 8 of the Corporations Regulations 2001 (Commonwealth). The exemption was granted on 16 December 2009 .

Gas2Grid has been granted an exemption by ASIC from the requirements of clause 8305 of Part 3 of Schedule 8 of the Regulations, which relates to statements in the Independent Expert's Report that the market value of an asset or assets of Gas2Grid or Orion differs from an amount at which the value of the assets is shown in the books of Orion or Gas2Grid (as the case may be).

11.13 Other material information

Otherwise than as contained or referred to in this Scheme Booklet, there is no other information material to the making of a decision by:

- a Gas2Grid Shareholder whether or not to vote in favour of the Share Scheme; or
- a Gas2Grid Optionholder whether or not to vote in favour of the Option Scheme,

being information that is known to Gas2Grid and which has not previously been disclosed to Gas2Grid Shareholders and Gas2Grid Optionholders (as the case may be).

Both Gas2Grid and Orion are at the date of this Scheme Booklet listed on ASX and are disclosing entities. Continuous disclosure announcements made by them can be found at www.asx.com.au and on their websites: www.orionpetroleum.com.au and www.gas2grid.com, respectively.

After the execution of the Merger Implementation Agreement, Orion was given access by Gas2Grid and undertook due diligence in relation to certain information concerning Gas2Grid which has not been disclosed generally to Gas2Grid Shareholders.

11.14 Interests of Independent Expert

The Independent Expert has prepared the Independent Expert's Report set out in section 18 of this Scheme Booklet. The Independent Expert will be paid a fee based on time costs at its normal professional rates, which it has indicated will be $42,000.00 plus GST, plus out-of-pocket expenses.

Mulready Consulting Services as the specialist engaged by the Independent Expert has prepared the report that forms part of the Independent Expert Report in section 18 of the Scheme Booklet. Mulready Consulting Services will be paid a fee based on time costs at its normal professional rates, which it has indicated will be $18,500 plus GST, plus out of pocket expenses.

11.15 Interests of Wiltax Consulting

Wiltax Consulting has prepared the tax report set out in section 10 of this Scheme Booklet. Wiltax Consulting will be paid a fee based on time costs at its normal professional rates, which it has indicated will be approximately $2,500.00 plus GST, plus out-of-pocket expenses.

Wiltax Consulting has given and has not withdrawn its written consent to the inclusion in this Scheme Booklet of the tax report in the form and context in which it is included.

11.16 Interests in the Merger proposal

Except as disclosed elsewhere in this Scheme Booklet no Gas2Grid Director holds as at the date of this Scheme Booklet an interest in the Merger or Gas2Grid.

Except as disclosed elsewhere in this Scheme Booklet, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit to, any Gas2Grid Director to induce that person to become or to qualify as a Gas2Grid Director.

11.17 Consents

The following persons have each given, and before the date of this Scheme Booklet have not withdrawn, their consent to each statement made by them, and to each statement said in this Scheme Booklet to be based on a statement by them, being included in this Scheme Booklet, or accompanying this Scheme Booklet, in the form and context in which it is included:

- Orion;
- Grant Thornton;
- Piper Alderman;
- Kemp Strang;
- Wiltax Consulting;
- Mulready Consulting Services.

11.18 Disclaimers of responsibility

Each person named in section 11.17, other than Orion:

(a) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than, in the case of a person named in section 11.17, a statement included in this Scheme Booklet with the consent of that person;

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to its name and, in the case of a person named in section 11.17, any statement or report which has been included in this Scheme Booklet with the consent of that person.

11.19 Competent Person

Please refer to sections 13, 14 and 15 of the report prepared by Mulready Consulting Services as contained in the Independent Expert's Report for details regarding the Competent Person disclosures for the purposes of the Listing Rules.

11.20 Material change in financial position

Within the knowledge of the Directors and except as disclosed elsewhere in this Scheme Booklet there has been no material change to the financial position of Gas2Grid since 30 June 2009 other than as disclosed to ASX.

11.21 Date of this Scheme Booklet

This Scheme Booklet is dated 21 December 2009.

PiperAlderman

Merger Implementation Agreement

Orion Petroleum Limited

Gas2Grid Limited

Piper Alderman
Lawyers

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Schedule 1

Schedule 2 – Deed Poll

Execution

PARTIES

1. **Orion Petroleum Limited** ACN 125 394 667 of Suite 303, Level 3, 10 Bridge Street, Sydney, New South Wales 2000 (**Orion**)
2. **Gas2Grid Ltd** ACN 112 138 780 of C/- Mitchell & Partners, Level 7, 10 Barrack Street, Sydney, New South Wales 2000 (**Gas2Grid**)

INTRODUCTION

A. Orion and Gas2Grid have agreed to effect a merger by means of the Schemes.

B. Orion and Gas2Grid have entered into this Agreement to record the terms and conditions upon which they propose in good faith to implement the Schemes.

OPERATIVE CLAUSES

1. Definitions and interpretation

1.1 Definitions

In this Agreement:

Agreed Announcements means the announcements to ASX by each of the parties as the parties may agree;

Agreement means this Merger Implementation Agreement between Orion and Gas2Grid;

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited (ABN 98 008 624 691);

Break Fees means the Gas2Grid Break Fee and the Orion Break Fee as described in clause 11;

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney;

Claim means any claim, demand, proceeding, suit, litigation, action or cause of action whether in contract, tort, under statute or otherwise whether actual, prospective or contingent;

Competing Proposal means, in relation to a Merger Party:

(a) a transaction which, if completed, would result in a person other than the other Merger Party directly or indirectly:
   (1) acquiring all or a substantial part of the assets or business of the Merger Party and its Subsidiaries;
   (2) acquiring a Relevant Interest in or becoming the holder of 20% or more of the Merger Party's share capital or of the share capital of any of its Subsidiaries; or
   (3) acquiring Control of the Merger Party;

(b) a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, purchase of main undertaking or other business combination involving the Merger Party (other than the Schemes); or

(c) a transaction involving the formation of a dual listed company structure, stapled security structure or other form of synthetic merger having the same or substantially the same effect as a takeover bid for, or scheme of arrangement in respect of, the Merger Party;

Condition means all of the conditions outlined in clause 3.1 and each of those conditions separately;

Confidentiality and Exclusivity Agreement means the confidentiality and exclusivity agreement entered into by the parties on or about 20 October 2009.

Control has the meaning given to that term in the Corporations Act;

Corporations Act means the Corporations Act 2001 (Cth);

Court means a court of competent jurisdiction in Sydney (as selected by Gas2Grid);

Deed Poll means a document of that name in, or substantially in, the form set out as Schedule 2 to this document or such other form as agreed by the parties in writing;

Disclosure Material means the material and information disclosed by a Merger Party or its representatives to the other Merger Party in accordance with clause 4;

Due Diligence Period means the period ending at close of business on the day which is seven days from the date of this Agreement or such other period as agreed in writing between Orion and Gas2Grid;

Effective means, in relation to a Scheme, the coming into effect, pursuant to section 411(10), of the order of the Court made under section 411(4)(b) in relation to that Scheme;

Effective Date means the date on which the Schemes become Effective;

End Date means 31 March 2010 or such other date as agreed in writing between Orion and Gas2Grid before that date;

Exclusivity Period means the period defines as such under the confidentiality and Exclusivity Agreement;

First Court Hearing Date means the first day of the hearing of the Court of an application for an order under section 411(1) convening of the Scheme Meetings;

Gas2Grid Directors means the directors of Gas2Grid as at the date of this Agreement;

Gas2Grid Group means Gas2Grid and its Subsidiaries;

Gas2Grid Indemnified Party means each member of the Gas2Grid Group and its directors, officers and employees;

Gas2Grid Option means an option to subscribe for a Gas2Grid Share;

Gas2Grid Option Holders means each person entered in the Gas2Grid Option Register as a holder of Gas2Grid Options;

Gas2Grid Option Holders Approvals means a resolution in favour of the Option Scheme passed by the required majority of Gas2Grid Option Holders under section 411(4)(a)(ii);

Gas2Grid Option Register means the register of holders of options in Gas2Grid;

Gas2Grid Share means a fully paid ordinary share in Gas2Grid;

Gas2Grid Shareholders means each person entered in the Gas2Grid Share Register as a holder of Gas2Grid Shares;

Gas2Grid Shareholder Approval means a resolution in favour of the Share Scheme passed by the required majority of Gas2Grid Shareholders under section 411(4)(a)(ii);

Gas2Grid Share Register means the register of members of Gas2Grid;

Government Agency means a government, government department or a governmental, semi-governmental, administrative, statutory or judicial entity, agency, authority, commission, department, tribunal, or person charged with the administration of a law or agency;

GST means the same as in the GST Law;

GST Law means the same as "GST law" means in A New Tax System (Goods and Services Tax) Act 1999 (Cth);

Independent Gas2Grid Directors means the directors of Gas2Grid who do not have:

(a) a material personal interest under sections 191 and 195; or

(b) a conflict of interest to which section 192 applies;

Independent Orion Directors means the directors of Orion who do not have:

(a) a material personal interest under sections 191 and 195; or

(b) a conflict of interest to which section 192 applies;

Implementation means the implementation of the Schemes on the Implementation Date;

Implementation Date means the tenth Business Day following the Effective Date or such other date as agreed by the Parties in writing;

Ineligible Overseas Gas2Grid Holder means a Scheme Participant whose address, as shown in the Gas2Grid Share Register or Gas2Grid Option Register at the Record Date, is in a jurisdiction other than Australia, its external territories or New Zealand, except where Orion is reasonably satisfied that the issue of Orion Shares in that jurisdiction under the Schemes is neither prohibited by law nor unduly onerous;

Insolvency Event means:

(a) being or becoming an externally-administered body corporate;

(b) being or becoming insolvent under administration; or

(c) having any property be or become subject to a controller,

or the equivalent under the laws of any other applicable jurisdiction;

Liability means a liability whether actual, prospective or contingent;

Listing Rules means the official listing rules of ASX as from time to time amended or waived in their application to a party;

Loss means any loss, damage, Liability, cost, diminution in value or deficiency of any kind or character which a person pays, suffers or incurs or is liable for, including all:

(a) Tax Liabilities;

(b) interest and other amounts payable to third parties; and

(c) legal (on a full indemnity basis) and other costs incurred in connection with investigating or defending any Claim, whether or not resulting in any Liability, and all amounts paid in settlement of any Claim;

Material Adverse Change means, in relation to a Merger Party, one or more occurrences or matters which individually, or when aggregated with all such events, has had or is reasonably likely to have a material adverse effect on the structure, business, assets, liabilities, operations, financial or trading position or performance and prospects of it and its Subsidiaries taken as a whole;

Merger Party means Orion or Gas2Grid;

Option Scheme means the proposed scheme of arrangement for the Gas2Grid Options described in clause 2.2, subject to any alterations and conditions made or required by the Court under section 411(6);

Option Scheme Meeting means the meeting of Gas2Grid Option Holders convened by the Court under section 411(1) to seek the approval of Gas2Grid Option Holders to the Option Scheme;

Orion Group means Orion and its Subsidiaries.

Orion Indemnified Party means each member of the Orion Group and its directors, officers and employees.

Orion Information means the information provided by Orion to Gas2Grid in accordance with clause 5.3(a) for inclusion in the Scheme Booklet;

Orion Option means an option to subscribe for an Orion Share, the terms of which are set out in Annexure B to the Deed Poll;

Orion Share means a fully paid ordinary share in Orion;

Party means a party to this Agreement;

Prescribed Event means, other than as allowed under this Agreement, in relation to a Merger Party:

(a) the Merger Party converts all or any of its shares into a larger or smaller number of shares;

(b) the Merger Party resolves to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;

(c) the Merger Party:

  (1) enters into a buy-back agreement; or

  (2) resolves to approve the terms of a buy-back agreement under the Corporations Act;

(d) the Merger Party or a Subsidiary of the Merger Party issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option except for shares issued upon the valid exercise of options already issued as at the date of this Agreement;

(e) the Merger Party or any of its Subsidiaries issues, or agrees to issue, securities or other instruments convertible into shares;

(f) other than in the ordinary course of business and consistent with past practice, the Merger Party or any of its Subsidiaries creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole or a substantial part of its business or property;

(g) an Insolvency Event occurring in relation to the Merger Party or any of its Subsidiaries;

(h) the Merger Party makes any change or amendment to its constitution;

(i) the Merger Party declares any dividend or pays, makes or incurs any liability to pay or make any distribution whether by way of dividend, capital distribution, bonus or other share of its profits or assets;

(j) proceedings brought against the Merger Party or any of its Subsidiaries which are likely to result in damages or compensation payable by the Merger Party and its Subsidiaries greater than $500,000 in aggregate and which are not recoverable under any insurance arrangements;

(k) the Merger Party or any of its Subsidiaries making any change to its accounting practices or policies, other than to comply with generally accepted Australian accounting standards and any domestically accepted international accounting standards or electing to form a consolidated group for the purposes of the Income Tax Assessment Act 1997 (Cth);

(l) other than in the ordinary course of business and consistent with past practice, the Merger Party or any of its Subsidiaries:

  (1) disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;

  (2) acquiring, or agreeing to acquire, any assets or businesses (or any interest in any assets or businesses) where the aggregate consideration or value is greater than $1 million;

  (3) entering into any joint venture or partnership in respect of any asset or undertaking;

  (4) entering into any contract or commitment involving revenue or expenditure of more than $1 million over the term of the contract or commitment; or

  (5) terminating or amending in a material manner any contract material to the conduct of its business or which involves expenditure or revenue of more than $1 million over the term of the contract;

(m) the Merger Party or any of its Subsidiaries increasing the level of its financial indebtedness (actual or contingent) by greater than $1 million or issuing a guarantee or indemnity in respect of an amount in excess of, or which may exceed, $1 million;

(n) other than in the ordinary course of business and consistent with past practice, the Merger Party or any of its Subsidiaries:

(1) increasing the remuneration of, or otherwise varying, the arrangements with any of its directors, consultants, advisors or employees;

(2) accelerating the rights of any of its directors, consultants, advisors or employees to compensation or benefits of any kind (including under any executive or employee share plans); or

(3) paying any of its directors, consultants, advisors or employees a termination or retention payment,

otherwise than in accordance with an existing contract in place at the date of this Agreement,

provided that none of the above events in paragraphs (a) to (n) will constitute a Prescribed Event where the Merger Party has first consulted in reasonable detail with the other Party in relation to the proposed event, and the other Party has approved in writing of the proposed event, such approval not to be unreasonably withheld or delayed;

Record Date means 7.00pm on the day which is 5 Business Days after the Effective Date, or any other date agreed by the parties in writing to be the record date to determine entitlements to receive the Scheme Consideration under the Scheme;

Regulatory Approvals means the approvals referred to in clause 3.1(g);

Relevant Interest means:

(a) a relevant interest within the meaning of that term in the Corporations Act; and

(b) any derivative or financial product or transaction which is of a kind the Takeovers Panel would require to be disclosed in terms of its Guidance Note 20, although not otherwise conferring a relevant interest within the meaning of the Corporations Act;

Schemes means the Share Scheme and Option Scheme;

Scheme Booklet means an information memorandum in respect of the Schemes to be approved by the Court and dispatched to Scheme Participants, and includes the Schemes, an explanatory statement under section 412 and relevant notices of meeting and proxy forms;

Scheme Consideration means:

(a) 1 Orion Share for every 2.25 Gas2Grid Share held at the Record Date; and

(b) 1 Orion Option for every 2.25 Gas2Grid Option held at the Record Date;

Scheme Meetings means the Share Scheme Meeting and Option Scheme Meeting;

Scheme Participants means each of the Gas2Grid Shareholders, Gas2Grid Option Holders on the Record Date;

Second Court Hearing Date means the first day on which the Court hears the application for an order under section 411(4)(b) approving the Schemes;

Share Scheme means the proposed scheme of arrangement for the Gas2Grid Shares outlined in clause 2.1, subject to any alterations or conditions made or required by the Court under section 411(6);

Share Scheme Meeting means the meeting of Gas2Grid Shareholders convened by the Court under section 411(1) to seek the approval of Gas2Grid Shareholders to the Share Scheme;

Subsidiary has the meaning given to that term in the Corporations Act;

Takeovers Panel means the Takeovers Panel constituted under the Australian Securities and Investments Commission Act 2001 (Cth);

Tax means a tax, levy, excise, royalty, surcharge, duty, charge, deduction or withholding, however it is described, that is imposed by law or by a Government Agency, together with any related interest, penalty, fine or other charge.

1.2 In this Agreement, unless the context otherwise requires:

(a) singular includes plural and plural includes singular;

(b) words of one gender include any gender;

(c) reference to legislation includes any amendment to it, any legislation substituted for it, and any subordinate legislation made under it;

(d) reference to an agreement or arrangement is a reference to the agreement or arrangement as mended from time to time;

(e) reference to a person includes a corporation, joint venture, association, Government Agency, firm and any other entity;

(f) reference to a party includes that party's personal representatives, successors and permitted assigns;

(g) reference to a thing (including a right) includes a part of that thing;

(h) a provision must not be construed against a party only because that party prepared it;

(i) a provision must be read down to the extent necessary to be valid. If it cannot be read down to that extent, it must be severed, and the rest of this Agreement will remain in force;

(j) if a thing is to be done on a day which is not a Business Day, it must be done on the Business Day after that day;

(k) another grammatical form of a defined expression has a corresponding meaning;

(l) 'including' and similar phrases are not phrases of limitation;

(m) a term or expression given a meaning in the Corporations Act or GST Law and not otherwise defined in this Agreement, has the meaning given in the Corporations Act or GST Law (respectively); and

(n) a reference to a section, Part or Division is a reference to a section, Part or Division of the Corporations Act (respectively).

2. Agreement to propose scheme

2.1 Share Scheme

Gas2Grid agrees to propose a scheme of arrangement under Part 5.1 between it and the Gas2Grid Shareholders in the form set out in Annexure A to the Deed Poll under which, subject to the Share Scheme becoming Effective, all Gas2Grid Shares held by the Gas2Grid Shareholders (other than Orion) are transferred to Orion, and Gas2Grid Shareholders (other than Orion) become entitled to receive from Orion the relevant Scheme Consideration (with any fractional entitlement to an Orion Share equal to or greater than 0.5 to be rounded up and any fractional entitlement to an Orion Share less than 0.5 to be rounded down).

2.2 Option Scheme

Gas2Grid agrees to propose a scheme of arrangement under Part 5.1 between it and the Gas2Grid Option Holders in the form set out in Annexure B to the Deed Poll under which, subject to the Option Scheme becoming Effective, all Gas2Grid Options held by the Gas2Grid Option Holders are transferred to Orion, and Gas2Grid Option Holders become entitled to receive from Orion the relevant Scheme Consideration (with any fractional entitlement to an Orion Option equal to or greater than 0.5 to be rounded up and any fractional entitlement to an Orion Option less than 0.5 to be rounded down).

2.3 No amendment to the Schemes without consent

Gas2Grid must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Schemes without the prior consent of Orion, which such consent is not to be unreasonably withheld or delayed.

2.4 Representation at Court Hearings

Orion agrees to arrange for its solicitors to be present at each Court hearing which relates to the Schemes for the purpose of insuring that any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Schemes is not unnecessarily delayed.

2.5 Overseas Shareholders

The Orion Shares to which each Ineligible Overseas Gas2Grid Holder would otherwise become entitled under the Schemes will be issued to a nominee appointed by Orion who will sell those Orion Shares and pay the net proceeds of sale of such Orion Shares to the Ineligible Overseas Gas2Grid Holder.

2.6 Orion to assist

Orion agrees to provide all reasonable assistance to Gas2Grid in proposing the Schemes in accordance with Part 5.1 upon and subject to the terms and conditions of this Agreement.

2.7 Orion Shares

Each Orion Share issued under the Scheme Consideration must upon their issue rank equally with all other Orion Shares and Orion will use its best endeavours to procure that the Orion Shares issued under the Share Consideration are listed on the ASX for quotation with effect from the Business Day following the Record Date and that holding statements are issued to holders of these Orion Shares.

3. Conditions

3.1 Conditions precedent for completion of the Schemes

Subject to this clause 3, the completion of each of the Schemes is conditional upon each of the following conditions being satisfied or waived under clause 3.3:

(a) in the Agreed Announcement announcing the Schemes, Gas2Grid directors unanimously state that they intend to vote in favour of the Schemes in the absence of a superior offer and recommend that Gas2Grid Shareholders and Gas2Grid Option Holders vote in favour of the respective Schemes in the absence of a superior offer;

(b) between the date of this Agreement and the date of the Scheme Meetings, no Gas2Grid Director changes or withdraws his recommendation to Gas2Grid Shareholders or Gas2Grid Option Holders to vote in favour of the respective Schemes or recommends that they do not vote in favour of the respective Schemes;

(c) Gas2Grid Shareholder Approval is obtained at the Share Scheme Meeting;

(d) Gas2Grid Option Holders approval is obtained at the Option Scheme Meeting;

(e) the Court makes orders under section 411(4)(b) approving the Schemes;

(f) the Schemes becomes Effective by the End Date;

(g) all approvals, consents or other action required from any Government Agency, ASIC or ASX to implement the Schemes (other than the approval of the Court of the Schemes under section 411(4)(b)) are obtained by, and have not been withdrawn before, 8.00am on the Second Court Hearing Date;

(h) no temporary, preliminary or permanent injunction or other order, declaration or restraint or prohibition issued by any court, the Takeovers Panel or any body of competent jurisdiction or other legal restraint or prohibition preventing, or if enforced would prevent, the Implementation of the Schemes is in effect at 8.00am on the Second Court Hearing Date;

(i) no Material Adverse Change occurs in relation to Gas2Grid from the date of this Agreement until 8.00am on the Second Court Hearing Date;

(j) no Material Adverse Change occurs in relation to Orion from the date of this Agreement until 8.00am on the Second Court Hearing Date;

(k) no Prescribed Event occurs in relation to Gas2Grid from the date of this Agreement until 8.00am on the Second Court Hearing Date;

(l) no Prescribed Event occurs in relation to Orion from the date of this Agreement until 8.00am on the Second Court Hearing Date;

(m) the representations and warranties of Gas2Grid set out in clause 7.2 are true and correct in all material respects as of the date of this Agreement and as at 8.00am on the Second Court Hearing Date;

(n) the representations and warranties of Orion set out in clause 7.2 are true and correct in all material respects as at the date of this Agreement and as at 8.00am on the Second Court Hearing Date;

(o) this Agreement has not been terminated before 8.00am on the Second Court Hearing Date; and

(p) if and to the extent Orion shareholder approval is required under ASX Listing Rules in respect of Orion's participation in the Schemes, such shareholder approval is obtained by the Second Court Hearing Date.

For the purposes of this clause, an approval or consent will be regarded as having been obtained even though a condition has been attached to that approval or consent if it has been granted on customary terms and conditions or on terms and conditions reasonable to the other party or parties entitled to the benefit of the condition.

3.2 Reasonable endeavours

(a) Subject to clause 3.4(d), each of Orion and Gas2Grid must use its reasonable endeavours to procure that (and must procure that each of its Subsidiaries uses its reasonable endeavours to procure that):

  (1) each of the Conditions in clause 3.1 is satisfied as expeditiously as possible and in any event on or before the End Date, including providing all reasonable assistance to the other party as is necessary to satisfy such Conditions; and

  (2) there is no occurrence within the control of Orion or Gas2Grid or their respective Subsidiaries (as the context requires) that would prevent the Conditions in clause 3.1 from being satisfied.

(b) Without limiting clause 3.2(a), Orion and Gas2Grid must:

  (1) promptly apply for all relevant Regulatory Approvals and provide the other with a copy of all those applications;

  (2) take all the steps for which it is responsible as part of the approval process;

  (3) respond to requests for information from the other Party at the earliest practicable time;

  (4) provide the other with all information reasonably requested in connection with the applications for Regulatory Approvals; and

  (5) so far as it is able, allow the other and its representatives the opportunity to be present at any meetings with any Government Agency with respect to the Schemes.

(c) Each of Orion and Gas2Grid must promptly notify the other if it becomes aware:

  (1) that any condition in clause 3.1 has been satisfied or has become incapable of being satisfied; or

  (2) of any change or event causing, or that would be reasonably likely to cause:

    (A) a representation or warranty in this Agreement to be breached;

    (B) a breach or non-fulfilment of any of the conditions in clause 3.1; or

    (C) a material breach of this Agreement.

3.3 Benefit and waiver of conditions

(a) The Conditions in clauses 3.1(a) to 3.1(h), 3.1(o) and 3.1(p) are for the joint benefit of Orion and Gas2Grid and may only be waived jointly by them.

(b) The Conditions in clauses 3.1(i), 3.1(k) and 3.1(m) are for the sole benefit of Orion and may only be waived by Orion.

(c) The Conditions in clauses 3.1(j), 3.1(l) and 3.1(n) are for the sole benefit of Gas2Grid and may only be waived by Gas2Grid.

(d) Any waiver of the Conditions in clause 3.1 must take place prior to 8.00am on the Second Court Hearing Date to be effective.

(e) Subject to clause 3.3(f), if a Party waives the breach or non-fulfilment of a condition in clause 3.1, that waiver precludes the Party from suing the other Party for any breach of this Agreement that resulted in the breach or non-fulfilment of the Condition.

(f) If the Party who has the benefit of a Condition in clause 3.1 waives a breach or non-fulfilment of the Condition on one or more terms, and the other Party agrees to those terms, then those terms will apply notwithstanding any inconsistency with clause 3.3(e). If the other Party does not agree to the terms of any waiver, the relevant Condition will not be waived.

3.4 Failure of Condition

(a) If:

(1) a Condition in clause 3.1 has not been satisfied or waived by the time specified for its satisfaction; or

(2) a Condition in clause 3.1 becomes incapable of being satisfied by the time specified for its satisfaction and is not waived,

then Orion and Gas2Grid must consult in good faith with a view to determining whether the Schemes may proceed by way of alternative means or methods or whether to extend the End Date.

(b) If Orion and Gas2Grid are unable to reach agreement under clause 3.4(a) within 5 Business Days of the date on which they both become aware that the Condition has not been satisfied or become incapable of being satisfied (or, if earlier, by 8.00am on the Second Court Hearing Date), then unless the Condition is waived in accordance with clause 3.3 the Party entitled to the benefit of that Condition may (subject to clause 3.4(c)) terminate this Agreement at any time prior to 8.00am on the Second Court Hearing Date with immediate effect by written notice to the other Party.

(c) A Party may not terminate this Agreement under clause 3.4(b) if the relevant Condition in clause 3.1 has not been satisfied, or is incapable of being satisfied, or there is an occurrence that will prevent the Condition being satisfied by the date specified in this Agreement for its satisfaction, as a result of:

(1) a deliberate act or omission by that Party or any of its Subsidiaries, or any of their respective officers or employees; or

(2) a breach of this document by that Party.

(d) Termination of this Agreement under clause 3.4(b) does not affect any accrued rights of either Party arising from any breach of this Agreement prior to termination.

4. Conduct of business before implementation date

4.1 Ordinary course

From the date of this Agreement up to and including the Implementation Date, each of Orion, Gas2Grid and their respective Subsidiaries must conduct their businesses in the ordinary and proper course of business and use reasonable efforts to:

(a) preserve their relationships with customers, suppliers, licensors, licensees, joint venturers, investors and others with whom they have business dealings;

(b) use reasonable endeavours to identify and notify the other Party of any change of control or similar provisions in any material contracts;

(c) maintain all their assets in good working order necessary to operate all aspects of their business; and

(d) have in place, and maintain until the Implementation Date, insurance over their assets and business to at least the same extent as that in place at the date of this Agreement.

4.2 Orion due diligence

Without prejudice to any other provision of this Agreement, Gas2Grid must permit Orion to undertake due diligence on its business and related entities during the Due Diligence Period and must promptly provide to Orion such information, records and documents, and access to all persons, (including the external auditors and their files, if the external auditors agree to make themselves and their files available, provided that Gas2Grid must use all reasonable endeavours to procure such availability) as Orion may reasonably request to permit it to undertake such due diligence. Disclosure of all matters is limited to the extent necessary to comply with confidentiality obligations.

4.3 Gas2Grid due diligence

Without prejudice to any other provision of this Agreement, Orion must permit Gas2Grid to undertake due diligence on its business and related entities during the Due Diligence Period and must promptly provide to Gas2Grid such information, records and documents, and access to all persons, (including the external auditors and their files, if the external auditors agree to make themselves and their files available, provided that Orion must use all reasonable endeavours to procure such availability) as Gas2Grid may reasonably request to permit it to undertake such due diligence. Disclosure of all matters is limited to the extent necessary to comply with confidentiality obligations.

4.4 Nature of investigations

If, within the Due Diligence Period, a Merger Party becomes aware:

(a) of any information contained in or derived from an analysis or review of:

(1) the other Merger Party's Disclosure Material; or

(2) material released by the other party to ASX,

or of the consequences or implications of such information, matter, event or circumstance which, if that party had been aware of the information, matter, event, circumstance, consequences or implications before execution of this Agreement, would (or would when aggregated with any other such matters and any other Material Adverse Change that has occurred) in that party's opinion (acting reasonably) have a material adverse effect on the other party or its related entities; or

(b) of any information contained in or derived from an analysis or review of:

(1) any material released by the other party to ASX; or

(2) the other party's Disclosure Material,

which results in that party forming the view (acting reasonably) that either:

(3) the other party has not complied with its disclosure obligations under the Listing Rules; or

(4) it has withheld something from disclosure to ASX on reliance of an exception to Listing Rule 3.1,

which, if that party had been aware of the information, matter, event, circumstance, consequences or implications before execution of this Agreement, would (or would when aggregated with any other such matters) in that party's opinion (acting reasonably) have materially affected that party's assessment of:

(5) the value of the other party or its business;

(6) the value of the other party's securities;

(7) the ability of the other party to carry on its business;

(8) the value of the business of Orion after its merger with Gas2Grid;

(9) the ability of Orion to carry on its business after its merger with Gas2Grid;

(10) the ability of Orion to implement its proposed integration plans for Orion and Gas2Grid;

(11) whether or not to enter into this Agreement on materially the same terms; or

(12) the future prospects of the other party,

then clause 4.5 applies.

4.5 Negotiations in relation to due diligence matters

Where this clause applies:

(a) a party may, within five Business Days of the conclusion of the Due Diligence Period, give notice to the other giving reasonable details of the relevant information, matters, events, circumstances or consequences or implications referred to in clause 4.4;

(b) the parties shall, following receipt of the notice referred to in clause 4.5(a), negotiate in good faith to agree upon amendments to this Agreement and any document contemplated under it to remedy those matters, events, circumstances or consequences or implications (including without limitation by way of adjustment or amendment of the consideration for either or both of the schemes);

(c) if, after five Business Days from the date of the notice referred to in clause 4.5(a) is given (or such other time as the parties agree in writing), the parties cannot agree on amendments referred to in clause 4.5(b), the party who gave the notice under clause 4.5(a) may terminate this Agreement by giving the other party written notice to that effect within two Business Days from the time allowed or otherwise agreed for negotiations; and

(d) for the avoidance of doubt, a notice given after the time referred to in clauses 4.5(a) and 4.5(c) shall have no effect and that party's right to terminate this Agreement as a result of its due diligence investigations shall lapse.

5. Scheme implementation

5.1 Mutual Obligations

Each Party must use its best endeavours to give effect to the Schemes subject to compliance with their respective obligations, powers and duties under this Agreement, their constituent documents and all applicable law and the proper performance by the directors of Orion and Gas2Grid of their fiduciary duties.

5.2 Gas2Grid's obligations

Gas2Grid must take all reasonable steps to give effect to and implement the Schemes as soon as is reasonably practicable, including taking each of the following steps:

(a) prepare and send to the Scheme Participants, a Scheme Booklet that:
  (1) complies with all applicable Australian laws, the Listing Rules and applicable ASIC policy statements;
  (2) includes the Schemes and notices of meeting and proxy forms for the Scheme Meetings;
  (3) includes a statement that:
    (A) the Independent Gas2Grid Directors favourably recommend that all Scheme Participants vote in favour of the respective Schemes in the absence of a superior Competing Proposal; and
    (B) that the Gas2Grid Directors (whether or not having a material personal interest or conflict) intend to vote in favour of the Schemes in which they have an interest in the absence of a superior Competing Proposal; and
  (4) contains a report by an independent expert as to whether each Scheme is in the best interests of its respective Scheme Participants;

(b) provide to Scheme Participants any further or new information that may arise after the Scheme Booklet has been dispatched until the date of the Scheme Meetings which is necessary to ensure that the Scheme Booklet is not misleading or deceptive in any material respect (whether by omission or otherwise);

(c) consult with Orion and give Orion and its representatives a reasonable opportunity to provide input about the Scheme Booklet's content and presentation, and obtain Orion's consent to include the Orion Information in the Scheme Booklet in the form and context in which it appears (which consent must not be unreasonably withheld);

(d) request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Schemes in accordance with section 412(6);

(e) prepare all documents necessary for the Court proceedings relating to the Schemes in accordance with all applicable law;

(f) keep Orion informed at all times of any matters raised by ASIC in relation to the Scheme Booklet, and use all reasonable endeavours, in cooperation with Orion, to resolve any such matters;

(g) apply to ASIC for the production of a statement pursuant to section 411(17)(b) stating that ASIC has no objection to any of the Schemes;

(h) apply to the Court for an order under section 411(1) directing Gas2Grid to convene the Scheme Meetings;

(i) take all reasonable steps necessary to comply with the orders of the Court including, as required, dispatching the Scheme Booklet to the Scheme Participants and convening and holding the Scheme Meetings;

(j) use its best endeavours to procure that the Gas2Grid Directors do not act in a manner inconsistent with obtaining the approval of the Scheme Participants at the relevant Scheme Meeting subject to the proper performance by the Gas2Grid Directors of their fiduciary duties;

(k) if it becomes aware of information after the date of dispatch of the Scheme Booklet, which is material for disclosure to the Scheme Participants in deciding whether to approve the respective Schemes, inform the Scheme Participants and Orion of the information in an appropriate and timely manner;

(l) determine who are the Scheme Participants and their entitlements to the Scheme Consideration on the Record Date;

(m) register all transfers of Gas2Grid Shares and Gas2Grid Options to Orion on the Implementation Date;

(n) subject to the satisfaction or waiver of all Conditions other than the Conditions in clauses 3.1(e) to 3.1(o), if the resolution submitted to the Scheme Meetings in relation to the Schemes are passed by the requisite majority, apply to the Court for an order approving the Schemes in accordance with sections 411(4)(b) and 411(6);

(o) provide the Court on the Second Court Hearing Date with a certificate confirming to the best of its knowledge:
  (1) whether all the Conditions have been satisfied or waived in accordance with the terms of this Agreement; and
  (2) whether it is aware of any matter, circumstance or event which would, or would be likely to, prevent any Condition being satisfied by the Implementation Date;

(p) if the Court approves the Schemes at the Second Court Hearing Date:
  (1) immediately notify ASX of the Court order approving the Schemes;
  (2) promptly lodge with ASIC an office copy of the order approving the Schemes in accordance with section 411(10);
  (3) close the register of members of Gas2Grid as at the Record Date and determine entitlements to the Scheme Consideration in accordance with the Schemes;
  (4) execute proper instruments of transfer of, and effect and register the transfer of, the Gas2Grid Shares and Gas2Grid Options (if any) in accordance with the Schemes; and
  (5) do all other things contemplated by or necessary to give effect to the Schemes and the orders of the Court approving the Schemes;

(q) provide all necessary information about the Scheme Participants to Orion that Orion requires in order to facilitate the provision by Orion of the Scheme Consideration;

(r) take all reasonable and appropriate steps to maintain Gas2Grid's listing on ASX, notwithstanding any suspension of the quotation of Gas2Grid Shares, up to and including the Implementation Date; and

(s) if and to the extent Orion shareholder approval is required under ASX Listing Rules in respect of Orion's participation in the Schemes, then provide such information to Orion as reasonably necessary to enable Orion to prepare any required notice of meeting and explanatory materials.

5.3 Orion's obligations

Orion must take all reasonable steps to give effect to and implement the Schemes that are within the control of Orion as soon as is reasonably practicable, including taking each of the following steps:

(a) prepare and supply to Gas2Grid such information regarding Orion as is required by:
   (1) applicable laws including all relevant ASIC Regulatory Guides and Takeovers Panel Guidance Notes or ASIC comments or requisitions made in respect of the Scheme or the Scheme Booklet;
   (2) the Listing Rules;
   (3) any independent expert commissioned by Gas2Grid; or
   (4) ASIC, the Takeovers Panel, or the Court,

   to be included in the Scheme Booklet or any other notice or information required to be sent or supplied to any Scheme Participant by any independent expert commissioned by Gas2Grid (if any);

(b) provide to Gas2Grid any further or new information regarding Orion which may arise after the Scheme Booklet has been dispatched until the date of the Scheme Meetings which is necessary to ensure that the information in the Scheme Booklet regarding Orion is not misleading or deceptive in any material respect (whether by omission or otherwise);

(c) verify to Gas2Grid the accuracy of the Orion Information in the Scheme Booklet, and consent to the inclusion of that information in the form and context in which it appears (in each case subject to Orion being reasonably satisfied as to those matters);

(d) apply for all relevant Regulatory Approvals and take all steps it is responsible for, and render all reasonable assistance to Gas2Grid, in the approval process and promptly disclose to Gas2Grid all material correspondence between Orion and any Governmental Agency relating to the obtaining of the Regulatory Approvals;

(e) review the drafts of the Scheme Booklet provided by Gas2Grid and provide comments on those drafts promptly and in good faith;

(f) procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(1) and 411(4)(b) in relation to the Schemes, at which, through its counsel, Orion will undertake (if requested by the Court) to do all such things and take all such steps within its power as may be necessary in order to ensure the fulfilment of its obligations under the Schemes, and, to the extent that leave of the Court is required for Orion to be represented at those Court hearings, apply for that leave;

(g) provide the Court on the Second Court Hearing Date with a certificate confirming to the best of its knowledge:
   (1) whether all the Conditions have been satisfied or waived in accordance with the terms of this Agreement; and
   (2) whether it is aware of any matter, circumstance or event which would, or would be likely to, prevent any Condition being satisfied by the Implementation Date;

(h) before dispatch of the Scheme Booklet, execute the Deed Poll;

(i) if the Court approves the Schemes at the Second Court Hearing Date:
   (1) allot, issue and apply for quotation of the Scheme Consideration; and
   (2) do all other things contemplated by or necessary to give effect to the Schemes and the orders of the Court approving the Schemes;

(j) take all reasonable and appropriate steps to maintain Orion's listing on ASX, notwithstanding any suspension of the quotation of Orion Shares, up to and including the Implementation Date; and

(k) if and to the extent Orion shareholder approval is required under ASX Listing Rules in respect of Orion's participation in the Schemes, then Orion to recommend that Orion Shareholders approve Orion's participation in the Schemes.

6. Court proceedings

6.1 Conduct of Court proceedings

(a) Gas2Grid agrees to consent to Orion being represented by counsel at any Court proceedings affecting the Schemes.

(b) Nothing in this Agreement gives any Party any right or power to make undertakings to the Court on behalf of the other Party without that Party's written consent.

(c) Each Party agrees to give all undertakings to the Court in all Court proceedings affecting the Schemes which it is reasonably required to give (on an individual basis) to obtain Court approval and confirmation of the Schemes as contemplated by this Agreement.

6.2 Conduct of appeals

If the Court refuses to grant orders convening the Scheme Meetings, or approving the Schemes, then Orion and Gas2Grid must consult with each other in good faith as to whether to appeal the Court's decision. If, in the opinion of senior counsel obtained by either Party within 5 Business Days of the Court's decision, there are reasonable prospects of successfully appealing the Court's decision then:

(a) Gas2Grid must appeal the Court's decision; and

(b) Gas2Grid and Orion must seek to agree in good faith an extension of the End Date by a period of not more than 3 months to account for the period for determination of the appeal on an expedited basis.

7. Warranties and indemnities

7.1 Orion warranties

Except as disclosed in the relevant Disclosure Materials, or on the public record, Orion represents and warrants to Gas2Grid and each of the Gas2Grid Indemnified Parties at the date of this Agreement and at 8.00am on the Second Court Hearing Date that:

(a) it, and each of its Subsidiaries, is a corporation validly existing under the laws of its place of incorporation and, where applicable, is in good standing under the laws of that jurisdiction;

(b) it has taken all necessary corporate action to authorise entry into this Agreement and has taken or will take all necessary corporate action to authorise the performance of this Agreement and to carry out the transactions contemplated by this Agreement;

(c) it has full corporate power to execute, deliver and perform its obligations under this Agreement and to carry out the transactions contemplated by this Agreement;

(d) this Agreement constitutes a legal, valid and binding obligation on it enforceable in accordance with its terms by appropriate legal remedy, subject to laws generally affecting creditors' rights and to principles of equity;

(e) this Agreement does not and will not conflict with or result in the breach of or default under any provision of its constitution or any material term or provision of any order, judgment, or law to which it, or any of its Subsidiaries, is a party or is subject or by which it or any of Subsidiaries is bound;

(f) neither the execution or performance by it of this Agreement nor any transaction contemplated under this Agreement will breach or accelerate the obligations of it or of any of its Subsidiaries under any provision of any material agreement or deed to which any of them is a party, except for such breaches or defaults as individually or in aggregate would not have a material adverse effect on the consolidated financial position of Orion;

(g) as at the date of this Agreement the securities on issue in Orion are as set out in Item 1 of Schedule 1, and neither it nor any of its Subsidiaries are under any obligation to issue, and have not granted any person the right to call for issue, of any shares or other securities in it or any of its Subsidiaries other than as set out in Item 1 of Schedule 1;

(h) so far as it is aware after the making of reasonable enquiries by the Independent Orion Directors, all information provided by or on behalf of Orion to Gas2Grid during the course of negotiations in relation to the Schemes (including the Orion Information) is complete, accurate and not misleading in any material respect (including by silence or omission) and the Orion Information complies with the disclosure standard required by the Corporations Act and applicable ASIC Policy Statements;

(i) Orion has not knowingly or recklessly omitted to disclose information to Gas2Grid prior to the date of this Agreement, the disclosure of which might reasonably be expected to have resulted in Gas2Grid not entering into this Agreement, or entering into it on materially different terms;

(j) it is not in breach of any material licence, approval or authority which is issued or regulated by a Government Agency, nor is it aware of any facts or matters that are likely to result in such a breach;

(k) it is not in breach of its continuous disclosure obligations under the Listing Rules or the Corporations Act;

(l) as at the date of this Agreement and on the Second Court Hearing Date, it has at least $10,000,000 in cash and marketable securities;

(m) as at the date of this Agreement and on the Second Court Hearing Date, it has an interest in the seven (7) exploration licences in New South Wales, namely PEL 6, PEL 427, PEL 455, PEL 428, PEL 422, PEL 424 and PEL 471;

(n) it is not affected by an Insolvency Event nor has it or any third has applied for or otherwise taken steps that could result in the occurrence of an Insolvency Event;

(o) it is not:

  (1) subject to any adverse order, decree or judgment of any court, Government Agency or regulatory authority which is still in force; or

  (2) a party to any materially adverse litigation, arbitration or administrative proceedings which are in progress or threatened or pending by or against or concerning it or any of its business assets; and

(p) no litigation, arbitration, mediation, conciliation or administrative proceedings are taking place, pending or to its knowledge, threatened which, if adversely decided, could have a material adverse effect on it.

7.2 Gas2Grid warranties

Except as disclosed in the relevant Disclosure Materials, or on the public records, Gas2Grid represents and warrants to Orion and the Orion Indemnified Parties at the date of this Agreement and at 8.00am on the Second Court Hearing Date that:

(a) it, and each of its Subsidiaries, is a corporation validly existing under the laws of its place of incorporation and, where applicable, is in good standing under the laws of that jurisdiction;

(b) it has taken all necessary corporate action to authorise entry into this Agreement and has taken or will take all necessary corporate action to authorise the performance of this Agreement and to carry out the transactions contemplated by this Agreement;

(c) subject to it obtaining any necessary Regulatory Approvals, Gas2Grid Shareholder and Court approvals, it has full corporate power to execute, deliver and perform its obligations under this Agreement and to carry out the transactions contemplated by this Agreement;

(d) this Agreement constitutes a legal, valid and binding obligation on it enforceable in accordance with its terms by appropriate legal remedy, subject to laws generally affecting creditors' rights and to principles of equity;

(e) this Agreement does not and will not conflict with or result in the breach of or default under any provision of its constitution or any material term or provision of any order, judgment, or law to which it, or any of its Subsidiaries, is a party or is subject or by which it or any of Subsidiaries is bound;

(f) neither the execution or performance by it of this Agreement nor any transaction contemplated under this Agreement will breach or accelerate the obligations of it or of any of its Subsidiaries under any provision of any material agreement or deed to which any of them is a party, except for such breaches or defaults as individually or in aggregate would not have a material adverse effect on the consolidated financial position of Gas2Grid;

(g) other than the securities described in Item 3 of Schedule 1, as at the date or this Agreement the securities on issue in Gas2Grid are as set out in Item 2 of Schedule 1 and neither it nor any of its Subsidiaries are under any obligation to issue, and have not granted any person the right to call for issue, of any shares or other securities in it or any of its Subsidiaries other than as set out in Item 2 of Schedule 1;

(h) to Gas2Grid's knowledge, as at the date of dispatch of the Scheme Booklet (other than the Orion Information) it will not contain any material statement which is false or misleading (including because of any material omission);

(i) so far as it is aware after the making of reasonable enquiries by the Independent Gas2Grid Directors, all information provided by or on behalf of Gas2Grid to Orion during the course of negotiations in relation to the Schemes (including the Gas2Grid Information) is complete, accurate and not misleading in any material respect (including by silence omission);

(j) Gas2Grid has not knowingly or recklessly omitted to disclose information to Orion prior to the date of this Agreement, the disclosure of which might reasonably be expected to have resulted in Orion not entering into this Agreement, or entering into it on materially different terms;

(k) it is not in breach of any material licence, approval or authority which is issued or regulated by a Government Agency, nor is it aware of any facts or matters that are likely to result in such a breach;

(l) it is not in breach of its continuous disclosure obligations under the Listing Rules or the Corporations Act;

(m) as at the date of this Agreement and on the Second Court Hearing Date, it has an interest in the following three (3) exploration licences, namely SC44 (Phillipines), St Griede Licence (France) and EP453 (Canning Basin WA);

(n) it is not affected by any Insolvency Event nor has it or any third has applied for or otherwise taken steps that could result in the occurrence of an Insolvency Event;

(o) it is not:

  (1) subject to any adverse order, decree or judgment of any court, Government Agency or regulatory authority which is still in force; or

  (2) a party to any materially adverse litigation, arbitration or administrative proceedings which are in progress or threatened or pending by or against or concerning it or any of its business assets; and

(p) no litigation, arbitration, mediation, conciliation or administrative proceedings are taking place, pending or to its knowledge, threatened which, if adversely decided, could have a material adverse effect on it.

7.3 Sole consequences for breach of warranty

The sole consequences for any breach of warranty shall be:

(a) that the conditions set out in clauses 3.1(m) or 3.1(n) (as the case may be) are not satisfied;

(b) that the relevant party may terminate this Agreement in accordance with clause 9.1(a);

and in particular, neither party shall be entitled to Claim any Loss arising directly or indirectly from any breach of warranty.

7.4 Survival

Each representation, warranty and indemnity in this clause 7:

(a) is severable;

(b) will survive termination of this Agreement;

(c) is given with the intent that liability under it is not confined to breaches which are discovered before the date of termination of this Agreement.

7.5 No other warranties or reliance

(a) Each Party acknowledges that neither the other Party nor any person acting on that other Party's behalf has made any warranty, representation or other inducement to it to enter into this Agreement, except for the warranties expressly set out in this Agreement.

(b) Each Party acknowledges and confirms that it does not enter into this Agreement in reliance on any warranty, representation or other inducement by or on behalf of the other Party, except for any warranty expressly set out in this Agreement.

7.6 Notification of breach

(a) Orion must promptly notify Gas2Grid if at any time after the date of this Agreement Orion becomes aware that a warranty given under clause 7.1 has ceased to be true and must also provide Gas2Grid with reasonable details of that fact.

(b) Gas2Grid must promptly notify Orion if at any time after the date of this Agreement Gas2Grid becomes aware that a warranty given under clause 7.2 has ceased to be true and must also provide Orion with reasonable details of that fact.

8. Confidentiality and Exclusivity Agreement

The Merger Parties agree to comply with the terms of the Confidentiality and Exclusivity Agreement in accordance with its terms. For the purposes of the Confidentiality and Exclusivity Agreement, each Merger Party consents to the use of, and the disclosure on a confidential basis to a Government Agency of, its confidential information for the purposes of satisfying any Condition and the implementation of the transactions (including without limitation the Schemes) contemplated by this Agreement.

9. Termination

9.1 Termination for breach

Without prejudice to any other rights of termination under this Agreement, either Party may terminate this Agreement by giving the other Party written notice at any time before 8.00am on the Second Court Hearing Date if:

(a) the other Party is in material breach of any term or warranty of this Agreement; and

(b) the Party wishing to terminate has given the other Party a written notice:
   (1) setting out details of the breach; and
   (2) stating its intention to terminate, and

(c) the breach continues to exist 7 days (or any shorter period ending at 5.00pm on the day before the Second Court Hearing Date) from the date the notice is given.

9.2 Automatic termination

This Agreement will terminate automatically without the need for action by any Party in the event that:

(a) the Gas2Grid Shareholders fail to approve the Share Scheme by the requisite majority at the Share Scheme Meeting;

(b) the Gas2Grid Option Holders fail to approve the Option Scheme by the requisite majority at the Option Scheme Meeting;

(c) the Court refuses to grant an order convening the Scheme Meetings, or approving the Schemes, and either:
   (1) the Parties fail to agree to conduct an appeal under clause 6.2 within 5 Business Days of the Court's decision; or
   (2) the Parties agree to lodge an appeal under clause 6.2 but the appeal is unsuccessful;

(d) the Schemes do not become Effective on or before the End Date; or

(e) if and to the extent Orion shareholder approval is required under the ASX Listing Rules in respect of Orion's participation in the Schemes, Orion shareholders fail to approve Orion's participation in the Schemes by the Second Court Hearing Date.

9.3 Effect of termination

(a) If this Agreement is terminated under clause 3.4(b) or this clause 9, this Agreement and the Parties' obligations under it cease, other than obligations under this clause 9 and clauses 11.6 and 14 that survive termination.

(b) Termination of this Agreement under this clause 9 does not affect any accrued rights of a Party in respect of a breach of this Agreement prior to termination.

10. Public announcements

10.1 Announcements of Schemes

Immediately after the execution of this Agreement, the Parties must make the Agreed Announcements.

10.2 Public announcement and submissions

Subject to clause 10.3, each Party must consult with the other prior to making any other public announcements in connection with the Schemes.

10.3 Required disclosure

Where a Party is required by law or the Listing Rules to make any announcement or make any disclosure relating to matter the subject of a Scheme, it may do so only after it has given the other Party as much notice as reasonably possible in all the circumstances and has consulted with the other Party as to the content of that announcement or disclosure.

11. Break fee

11.1 Break Fee - Gas2Grid

Subject to clauses 11.2 and 11.4, if:

(a) any Gas2Grid Director:

(1) makes a public statement prior to the approval of the Schemes by the Court under section 411(4)(b) to the effect that he or she does not support (or no longer supports) the Schemes; or

(2) without limiting sub-paragraph (1), that clause 5.2(a)(3)(A) contemplates will give a recommendation, fails to favourably recommend the Schemes to Gas2Grid Shareholders or Gas2Grid Option Holders or, having done so, any such Director publicly withdraws or varies his or her favourable recommendation of the Schemes (or any part of it) prior to the date of the Scheme Meetings,

and one or both Gas2Grid Shareholder Approval and Gas2Grid Option Holders Approvals are subsequently not obtained, other than in circumstances where:

(3) Gas2Grid is entitled to terminate this Agreement under clause 3.4(b) or clause 9.1; or

(4) an independent expert appointed by Gas2Grid gives an opinion that any one or both of the Schemes:

(A) are not both "fair" and "reasonable" for the Gas2Grid Shareholders, the Gas2Grid Option Holders, or any class of either of them; or

(B) are not in the best interests of the Gas2Grid Shareholders, the Gas2Grid Option Holders, or any class of either of them;

(b) any Gas2Grid Director publicly recommends, promotes or otherwise endorses a Competing Proposal prior to the termination of this Agreement; or

(c) a Competing Proposal in relation to Gas2Grid is announced by a third party prior to the termination of this Agreement and, regardless of whether this Agreement is terminated after the Competing Proposal is announced, the third party subsequently acquires Control of Gas2Grid or acquires all or a substantial part of the assets or business of Gas2Grid and its Subsidiaries; or

(d) Orion terminates this Agreement in accordance with the provisions of clause 9.1,

then Gas2Grid must pay to Orion $100,000 (**Gas2Grid Break Fee**).

11.2 No payment if Schemes become Effective

The Break Fees will not be payable under clauses 11.1 or 11.3 if the Schemes becomes Effective or if they have already been paid, they must be refunded immediately.

11.3 Break Fee – Orion

Subject to clauses 11.2 and 11.4, if:

(a) Gas2Grid terminates this Agreement under clause 9.1;

(b) Orion does an act or omits to do an act that causes, or results in, the termination of this Agreement, other than termination by Orion under clause 9.1; or

(c) a Competing Proposal in relation to Orion is announced by a third party prior to the termination of this Agreement and, the third party subsequently acquires all or a substantial part of the assets or business of Orion and its Subsidiaries, then Orion must pay to Gas2Grid $100,000 (**Orion Break Fee**).

11.4 Compliance with law

If it is finally determined by the Takeovers Panel or a court (following the exhaustion of all reasonable avenues of appeal) that all or any part of the Break Fees required to be paid under clauses 11.1 or 11.3 (**Impugned Amount**):

(a) is unlawful;

(b) involves a breach of directors' duties; or

(c) constitutes unacceptable circumstances,

then:

(d) the requirement to pay the Break Fees does not apply to the extent of the Impugned Amount; and

(e) if a Party has received the Impugned Amount, it must refund it within 10 Business Days of the final determination being made to the other Party.

11.5 Acknowledgments

(a) The Parties acknowledge that both Parties will incur significant costs, expenses, outgoings and losses if the Schemes are not successful, but that it is not possible to accurately ascertain these costs.

(b) Each Party confirms that:

(1) it has received legal advice on this Agreement and the operation of this clause; and

(2) it considers this clause to be fair and reasonable and that it is appropriate to agree to the terms in this clause in order to secure the significant benefits to it (and its shareholders) resulting from the Schemes.

11.6 Payment

Any payment of the Break Fees required under this clause 11 must be made within 5 Business Days of receipt of a written demand from the other Party. The demand may only be made after the later of:

(a) the occurrence of an event referred to in clause11.1 by Orion or clause 11.3 by Gas2Grid; and

(b) the termination of this Agreement in accordance with its terms.

12. Competing Proposal

Notwithstanding any term in the Confidentiality and Exclusivity Agreement, a Merger Party must not enter into any agreement in relation to any Competing Proposal unless, after notifying the other Merger Party, the other Merger Party has not within 2 Business Days of notification submitted a written proposal to the first mentioned Merger Party which is on terms no less favourable than the Competing Proposal. If the other Merger Party's proposal is on terms no less favourable than the Competing Proposal, then in the absence of a more favourable offer, the first mentioned Merger Party must proceed exclusively with the other Merger Party's proposal, otherwise the first mentioned Merger Party may proceed exclusively with the Competing Proposal.

13. Notices

13.1 Notice or other communication in connection with this Agreement or the transaction contemplated by it, must be in writing and in English, and may be given by an authorised representative of the sender.

13.2 Notice may be given to a person:

(a) personally;

(b) by sending it by international courier to the person's address last notified;

(c) by sending it by facsimile to the person's facsimile number last notified and then confirming it by courier to the person's address last notified; or

(d) by sending it by email to the person's email address last notified and then confirming it by courier to the person's address last notified.

13.3 Notice is deemed to be received by a person:

(a) if sent by international courier, three Business Days after sending; or

(b) if sent by facsimile or email and confirmed by courier, at the time and on the day shown in the sender's transmission report/outbox.

13.4 If two or more persons comprise a party, notice to one is effective notice to all.

13.5 A person's address and fax number are those set out below, or as the person notifies the sender:

Orion Petroleum Limited

Address: Suite 303, Level 3, 10 Bridge Street,
Sydney NSW 2000

Facsimile: (02) 9252 0255

Email: russell.langusch@orionpetroleum.com.au

Attention: Russell Langusch

Gas2Grid Limited

Address: C/- Mitchell & Partners, Level 7,
10 Barrack Street, Sydney NSW 2000

Facsimile: (02) 9299 8195

Email: psy@gas2grid.com

Attention: Patrick Sam Yue

14. General

14.1 Entire understanding

(a) Other than the Confidentiality and Exclusivity Agreement, this Agreement contains the entire understanding between the parties as to their respective subject matter.

(b) All previous negotiations, understandings, representations, warranties, memoranda, commitments and head of agreement concerning the subject matter of this Agreement, other than the Confidentiality and Exclusivity Agreement are merged in and superseded by this Agreement when they are entered into and the other agreements are of no effect.

(c) No oral explanation or information provided by a party to another:

(1) affects the meaning or interpretation of this Agreement; or

(2) constitutes any collateral agreement, warranty or understanding between any of the parties.

(d) Nothing in clauses 14.1(a) to 14.1(c) excludes any remedy of or liability for fraudulent concealment or fraudulent misrepresentation by a party.

14.2 Amendment

This Agreement may only be varied or replaced by a document duly executed by the parties.

14.3 Waiver and exercise of rights

(a) A single or partial exercise or waiver by a party of a right relating to this Agreement does not prevent any other exercise of that right or the exercise of any other right.

(b) A party is not liable for any Loss of any other party caused or contributed to by the waiver, exercise, attempted exercise, failure to exercise or delay in the exercise of a right.

14.4 No merger

The provisions of this Agreement (including the warranties) do not merge completion of any transaction under this Agreement or because of it.

14.5 No Assignment

A party must not assign or transfer or otherwise deal with any right under this Agreement without the prior written consent of the other party.

14.6 Rights cumulative

Except as expressly stated otherwise in this Agreement, the rights of a party under this Agreement are cumulative and are in addition to any other rights of that party.

14.7 Further steps

Each party must at its own cost from time to time do or procure all such further acts and execute and deliver all such further documents as may be reasonably necessary in order to fully perform and carry out the terms of this Agreement and the transactions contemplated by it.

14.8 Continuing obligations

All rights and obligations of a party which have not been performed on completion of any transaction under this Agreement are not extinguished or affected by such completion, unless those rights or obligations are specifically waived or released in writing by a document signed by both parties.

14.9 Survival

The provisions of clauses 7, 13 and 14 survive termination of this Agreement before completion of the transaction under this Agreement for any reason.

14.10 Successors and assigns

This Agreement is binding upon and enures for the benefit of a party and its successors and permitted assigns.

14.11 Governing law and jurisdiction

The parties acknowledge and agree that:

(a) this Agreement is governed by the laws of the State of New South Wales, Australia;

(b) they irrevocably submit to the non-exclusive jurisdiction of the courts of the State of New South Wales, Australia and courts of appeal from them; and

(c) no party may object to the jurisdiction of any of those courts on the ground that it is an inconvenient forum or does not have jurisdiction.

14.12 Counterparts

(a) This Agreement may consist of a number of counterparts and if so the counterparts taken together constitute one and the same instrument.

(b) Unless not permitted by law:

(1) a counterpart may be a facsimile or any other electronic form; or

(2) a party may execute a counterpart by using any electronic or digital means of identifying that party's approval of the counterpart including using digital signatures.

(c) Each party agrees that:

(1) the methods of execution specified in this clause are reasonable having regard to all relevant circumstances; and

(2) consents to each other party using those methods of execution.

(d) If this Agreement is executed in counterparts, it takes effect when each party has received the counterpart executed by each other party or would be deemed to have received it if it were a notice.

15. GST

15.1 Unless expressly included, the consideration for any taxable supply under or in connection with this Agreement does not include GST.

15.2 To the extent that any taxable supply made by a Party to another Party under or in connection with this Agreement is a taxable supply and a tax invoice has been provided to the recipient, the Recipient must pay, in addition to the consideration to be provided under this Agreement for that supply (unless it expressly includes GST) an amount equal to the amount of that consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of that supply.

15.3 The amount of GST payable in accordance with this clause 15 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.

Schedule 1

Item 1 – Orion Capital Structure	
Securities	Number
Ordinary Shares	155,000,000
Options exercisable at $0.30 on or before 30 September 2010 (listed)	115,000,000
Options exercisable at $0.30 on or before 30 September 2012 (unlisted)	4,250,000
Options exercisable at $0.13 on or before 4 July 2011 (unlisted)	450,000
Options exercisable at $0.12 on or before 20 March 2012 (unlisted)	250,000
Options exercisable at $0.15 on or before 23 July 2012 (unlisted)	100,000

Item 2 – Gas2Grid Capital Structure	
Securities	Number
Ordinary Shares	177,219,488
Options exercisable at $0.08 on or before 30 November 2010 (listed)	38,584,422

Item 3 – Other securities	
Securities	Number
Fully paid ordinary shares of Gas2Grid Limited to be issued subject to approval of shareholders at the annual general meeting to be held on 27 November 2009	5,839,844

Schedule 2 - Deed Poll

(See Section 13)

EXECUTION

Executed as an agreement on 5 November 2009

Executed by
Orion Petroleum Limited

Director

Company Secretary

RUSSELL LANGUSCH
Name (please print)

ALLAN FREEMAN
Name (please print)

Executed by
Gas2Grid Limited

Director

Director

DAVID A. MUNNS
Name (please print)

PATRICK SAMUE
Name (please print)

PiperAlderman

Deed Poll

Orion Petroleum Limited
Gas2Grid Limited

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Annexure A – Scheme of Arrangement (Shareholders)

Annexure B – Scheme of Arrangement (Optionholders)

Given by

1. **Orion Petroleum Limited** ACN 125 394 667 of Suite 303, Level 3, 10 Bridge Street, Sydney, New South Wales 2000 (**Orion**)

In favour of

2. each Scheme Shareholder; and
3. each Scheme Optionholder.

Introduction

A. Orion and Gas2Grid are parties to a Merger Implementation Agreement dated 5 November 2009 (**Merger Implementation Agreement**).

B. Under the Merger Implementation Agreement, Orion agreed, subject to the satisfaction or waiver of certain conditions, to execute all documents and do all acts and things within its power as may be necessary or desirable for the implementation and performance of the Schemes.

C. Orion is entering into this Deed Poll for the purpose of covenanting in favour of Scheme Participants to perform its obligations under the Schemes.

Operative clauses

1. Definitions and Interpretation

1.1 Definitions

Terms defined in the Share Scheme and in the Option Scheme, a copy of each of which is set out in Annexure A and Annexure B to this Deed Poll, respectively, have the same meanings in this Deed Poll unless the context requires otherwise. In addition:

Scheme Participants means Scheme Shareholders and Scheme Optionholders.

Schemes means the Share Scheme and the Option Scheme.

1.2 Interpretation

The provisions of clause 1.2 of the Share Scheme and clause 1.2 of the Option Scheme form part of this Deed Poll as if set out in full in this Deed Poll, and on the basis that references to 'this Share Scheme' or 'this Option Scheme' as the case may be in those clauses are references to 'this Deed Poll'.

2. Nature of deed poll

Orion acknowledges that this Deed Poll may be relied on and enforced by any Scheme Participant in accordance with its terms, notwithstanding that that person is not a party to this Deed Poll.

3. Conditions precedent

3.1 Obligations

Orion's obligations under:

(a) clause 4 are subject to the Share Scheme coming into effect in accordance with section 411(10) of the Corporations Act; and

(b) clause 5 are subject to the Option Scheme coming into effect in accordance with section 411(10) of the Corporations Act.

3.2 Termination

The obligations of Orion under this Deed Poll to Scheme Participants will automatically terminate and the terms of this Deed Poll will be of no further force or effect if the Merger Implementation Agreement is terminated in accordance with its terms prior to the Effective Date for the Share Scheme.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

(a) Orion is released from its obligations to further perform this Deed Poll except those obligations contained in clause 13; and

(b) Scheme Participants retain the rights they have against Orion in respect of any breach of this Deed Poll by it which occurred before termination of this Deed Poll.

4. Compliance with Share Scheme obligations

Subject to clause 3 and in consideration for the transfer to Orion of each Scheme Share on the Implementation Date for the Share Scheme, Orion covenants in favour of each Scheme Shareholder to:

(a) do all things which Orion is required to do under the Share Scheme or which the Share Scheme contemplates will be done by Orion; and

(b) without limiting the generality of paragraph (a), will provide the Share Scheme Consideration on the Implementation Date in accordance with the terms of the Share Scheme.

5. Compliance with Option Scheme obligations

Subject to clause 3 and in consideration for the transfer to Orion of each Scheme Option on the Implementation Date for the Option Scheme, Orion covenants in favour of each Scheme Optionholder to:

(a) do all things which Orion is required to do under the Option Scheme or which the Option Scheme contemplates will be done by Orion; and

(b) without limiting the generality of paragraph (a), will provide the Option Scheme Consideration on the Implementation Date in accordance with the terms of the Option Scheme.

6. Representations and warranties

Orion represents and warrants that:

(a) it is a company validly existing under the laws of Australia;

(b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;

(c) it has taken all necessary corporate action to authorise the entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll; and

(d) this Deed Poll is its valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping; and

(e) the Orion Shares and Orion Options to be issued pursuant to the Schemes will be validly issued and fully paid and will rank pari passu in all respects will all other Orion Shares or Orion Options (as applicable) then on issue (other than in respect of any dividend already resolved to be paid and not yet paid by, where the record date for entitlements to that dividend has passed).

7. Continuing obligations

This Deed Poll is irrevocable and remains in full force and effect until the earlier of:

(a) Orion having completely performed its obligations under this Deed Poll; and

(b) termination of this Deed Poll under clause 3.2.

8. Further assurances

Orion will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

9. Notices

Any notice, demand, consent or other communication (a **Notice**) given or made to Orion under this Deed Poll:

(a) must be in writing and signed by the sender or a person duly authorised by the sender;

(b) must be delivered to Orion by prepaid post (if posted to an address in another country, by registered airmail) or by hand or fax to the address or fax number below or the address or fax number last requested by Orion in writing:

Orion Petroleum Limited

Address:	Suite 303, Level 3, 10 Bridge Street, Sydney NSW 2000
Facsimile:	(02) 9252 0255
Email:	russell.langusch@orionpetroleum.com.au
Attention:	Russell Langusch

(c) will be taken to be duly given or made:

(1) in the case of delivery in person, when delivered;

(2) in the case of delivery by post, three business days after the date of posting (if posted to an address in the same country) or seven business days after the date of posting (if posted to an address in another country); and

(3) in the case of fax, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination fax number or name of recipient and indicating that the transmission has been made without error,

(d) but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 4.00pm (local time) it will be taken to have been duly given or made at the start of business on the next business day in that place.

10. No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by Orion or by a Scheme Participant operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

11. Remedies cumulative

The rights, powers and remedies of Orion and of each Scheme Participant under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

12. Amendment

No amendment or variation of this Deed Poll by Orion is valid or binding unless:

(a) the amendment or variation is agreed to by Gas2Grid, which agreement Gas2Grid may give or withhold in its absolute discretion and without reference to or approval by any Scheme Participant; and

(b) the Court indicates that the amendment would not, of itself, preclude approval of the Schemes.

Orion will enter into a further deed poll in favour of the Scheme Participants giving effect to such amendment or variation.

13. Stamp duty

All stamp duty (including fines, penalties and interest) that may be payable on or in connection with this Deed Poll and any instrument executed under this Deed Poll must be borne by Orion. Orion must indemnify each Scheme Participant on demand against any liability for that stamp duty.

14. Assignment

The rights and obligations of Orion and of each Scheme Participant under this Deed Poll are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior written consent of Orion and Gas2Grid.

15. Governing law and jurisdiction

This Deed Poll is governed by the laws of the State New South Wales, Australia. Orion irrevocably submits to the non-exclusive jurisdiction of courts of the State of New South Wales, Australia and courts of appeal from them. Orion may object to the jurisdiction of any of those courts on the ground that it is an inconvenient forum or does not have jurisdiction.

Annexure A - Scheme of Arrangement (Shareholders)
(See section 14)

Annexure B - Scheme of Arrangement (Optionholders)
(See section 15)

EXECUTION

Executed as deed poll on 18 December 2009

Executed for and on behalf of
Orion Petroleum Limited ACN 125 394 667

Director

Director

ASHLEY EDGAR
Name (please print)

RUSSELL LANGUSCH
Name (please print)

PiperAlderman

Scheme of Arrangement

made under section 411 of the Corporations Act 2001
(Gas2Grid Limited shares)

The holders of fully paid ordinary shares in Gas2Grid Limited

Piper Alderman
Lawyers

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PARTIES

1. **Gas2Grid Ltd** ACN 112 138 780 of C/- Mitchell & Partners, Level 7, 10 Barrack Street, Sydney, New South Wales 2000 (**Gas2Grid**)
2. **The holders of fully paid ordinary shares in Gas2Grid (G2G Shareholders)**

INTRODUCTION

A. Gas2Grid is a public company limited by shares.

B. Gas2Grid has been admitted to the official list of ASX and G2G Shares have been granted official quotation on the stock market conducted by ASX.

C. As at 1 December 2009, 183,059,332 G2G Shares were on issue.

D. Orion is a public company limited by shares.

E. Orion has been admitted to the official list of ASX and Orion Shares have been granted official quotation on the stock market conducted by ASX.

F. As at 1 December 2009, 155,000,000 Orion Shares were on issue.

G. Orion has executed the Deed Poll in favour of Scheme Shareholders.

SCHEME OF ARRANGEMENT

1. Definitions and interpretation

1.1 Definitions

In this Share Scheme:

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited (ABN 98 008 24 691) also known as Australian Securities Exchange;

ASX Listing Rules means the Listing Rules of ASX;

Business Day has the meaning given in the ASX Listing Rules;

CHESS means the clearing house electronic sub-register system of share transfers operated by ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532);

Conditions Precedent means the conditions precedent set out in clause 2.1;

Corporations Act means the Corporations Act 2001 (Cth);

Court means a court of competent jurisdiction in Sydney as selected by Gas2Grid;

Deed Poll means the deed poll dated 18 December 2009 executed by Orion pursuant to which Orion has, amongst other things, covenanted in favour of Scheme Shareholders to perform the obligations contemplated of it under the Share Scheme;

Effective means the coming into effect, under section 411(10), of the Court order made under section 411(4)(b) in relation to the Share Scheme;

Effective Date means the date on which the Scheme Order comes into effect pursuant to section 411(10);

Eligible Scheme Shareholder means a Scheme Shareholder other than an Ineligible Overseas Shareholders;

End Date means 31 March 2010 or such other date as agreed in writing between Orion and Gas2Grid before that date;

G2G Share means a fully paid ordinary share in Gas2Grid;

G2G Share Register means the register of members of Gas2Grid maintains pursuant to the Corporations Act;

Implementation Date means the third Business Day after the Record Date;

Ineligible Overseas Shareholder means a Scheme Shareholder whose address as shown in the G2G Share Register at the Record Date for the Share Scheme is in a jurisdiction other than Australia or its external territories or New Zealand except where Orion is reasonably satisfied that such issue of Orion Shares to the Scheme Shareholder is not prohibited, not unduly onerous and not unduly impracticable in that jurisdiction;

Merger Implementation Agreement means the Merger Implementation Agreement dated 5 November 2009 between Gas2Grid and Orion relating to amongst other things, the implementation of the Share Scheme;

Option Scheme means the option scheme under the Merger Implementation Agreement;

Orion means Orion Petroleum Limited ACN 125 394 667;

Orion Share means a fully paid ordinary share in the capital of Orion;

Orion Share Register means the register of members of Orion maintained pursuant to the Corporations Act;

Record Date means 7.00pm on the fifth Business Day after the Effective Date;

Registered Address means, in relation to a Scheme Shareholder, the address shown in the G2G Share Register;

Sale Agent means the person nominated by Orion to sell the Orion Shares that are attributable to the Ineligible Overseas Shareholders under the terms of the Share Scheme;

Scheme Order means the order of the Court made for the purposes of section 411(4)(b) in relation to the Share Scheme;

Scheme Shareholder means each person registered in the G2G Share Register as the holder of Scheme Shares as at the Record Date;

Scheme Shares means the G2G Shares on issue and registered in the G2G Share Register at the Record Date;

Scheme Transfer means, for each Scheme Shareholder, a duly completed and executed instrument of transfer of the Scheme Shares for the purposes of section 1071B, which may be a master transfer of all the Scheme Shares;

Second Court Hearing Date means the first day on which the Court hears the application for an order under section 411(4)(b) approving the Share Scheme;

Share Scheme means this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6); and

Share Scheme Consideration means 1 Orion Share for every 2.25 Scheme Shares.

1.2 Interpretation

Unless the context requires otherwise:

(a) words importing the singular include the plural and vice versa;

(b) words importing a gender include any gender;

(c) other parts of speech and grammatical forms of a word or phase defined in this Share Scheme have a corresponding meaning;

(d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any government agency;

(e) a reference to a clause, party, annexure or schedule is a reference to a clause of, and a party, annexure and schedule to this Share Scheme, and a reference to this Share Scheme includes any annexure and schedule;

(f) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;

(g) a reference to any document (including this Share Scheme) is to that document as varied, novated, ratified or replaced from time to time;

(h) the word 'includes' in any form is not a word of limitation;

(i) a reference to'$' or 'dollar' is to Australian currency;

(j) a reference to any time is a reference to that time in Sydney;

(k) a term or expression defined in or for the purposes of the Corporations Act has the same meaning when used in this Share Scheme; and

(l) a reference to a section, Part or Division is a reference to a section, Part or Division of the Corporations Act (respectively).

2. Conditions

2.1 Conditions precedent

The Share Scheme is conditional on each of the following Conditions Precedent:

(a) as at 8.00am on the Second Court Hearing Date, all of the conditions set out in clause 3.1 of the Merger Implementation Agreement have been satisfied or waived in accordance with the terms of the Merger Implementation Agreement;

(b) as at 8.00am on the Second Court Hearing Date, the Merger Implementation Agreement has not been terminated;

(c) the Share Scheme has been approved by the requisite majorities of G2G Shareholders in accordance with section 411(4)(a) at the Scheme Meeting;

(d) such other conditions made or required by the Court under section 411(6) in relation to the Share Scheme as are acceptable to Orion and Gas2Grid in their respective absolute discretions have been satisfied;

(e) the Option Scheme coming into effect under section 411(10) of the Court order made under section 411(4)(b) in relation to the Option Scheme; and

(f) such other conditions made or required by the Court under section 411(6) in relation to the Option Scheme as are acceptable to Orion and Gas2Grid in their respective absolute discretions have been satisfied,

and the Share Scheme will be of no force or effect unless or until the Conditions Precedent are satisfied or waived. For the avoidance of doubt, failure of a party to exercise a discretion under clause 2.1(d) is deemed to result in failure of that condition as if it had expressly not agreed to the acceptability of one or more court conditions. Each of Orion and Gas2Grid shall provide to the Court at the hearing on the Second Court Hearing Date a certificate confirming whether all the conditions in clause 2.1 of the Share Scheme (other than clauses 2.1(d), 2.1(e) and 2.1(f)) have been satisfied, or as applicable, waived as at 8.00am on the Second Court Hearing Date.

2.2 Waiver

The party or parties for whose benefit a condition operates may at their discretion waive any breach or non fulfilment of a condition precedent under clause 2.1 to the extent that such breach or non fulfilment of the condition is capable of being waived.

2.3 Non satisfaction of conditions

If the Effective Date does not occur on or before the End Date or such later date as Gas2Grid and Orion may agree in writing:

(a) the Share Scheme lapses and has no further force or effect; and

(b) Orion and Gas2Grid are released from:

(1) any further obligation to take steps to implement the Share Scheme; and

(2) any liability with respect to the Share Scheme.

3. The Share Scheme

3.1 Lodgement of Court orders

Gas2Grid must lodge with ASIC an office copy of the Scheme Order promptly after, and in any event by 5.00pm on the first Business Day after the day on which the Court makes that order.

3.2 Completion

On the Implementation Date:

(a) Subject to the provision of the Share Scheme Consideration in accordance with clause 5.2 and written confirmation of that provision of the Share Scheme Consideration being given by Orion to Gas2Grid, Gas2Grid will effect a valid transfer of the Scheme Shares to Orion under section 1074D or, if that procedure is not available for any reason, by:

(1) Gas2Grid delivering to Orion the Scheme Transfer, without the need for any further act by any Scheme Shareholder;

(2) Orion duly executing the Scheme Transfer and delivering it to Gas2Grid for registration; and

(b) immediately after receipt of the Scheme Transfer duly executed by Orion, and subject to clause 3.3, Gas2Grid will enter the name and address of Orion in the Share Register as the holder of the Scheme Shares; and

(c) in consideration of the transfer of each Scheme Share to Orion on the Implementation Date, Orion will provide the Share Scheme Consideration.

3.3 Ineligible Overseas Shareholders

Orion will be under no obligation under the Share Scheme to issue, and will not issue, any Orion Shares to any Ineligible Overseas Shareholder, and instead:

(a) the Orion Shares that would otherwise be required to be issued to the Ineligible Overseas Shareholder under the Share Scheme will be issued to the Sale Agent; and

(b) Orion will procure that, as soon as reasonably practicable (and in any event, not more than 15 Business Days after the Implementation Date), the Sale Agent sells on the stock market conducted by ASX, all of the Orion Shares issued under clause 3.3(a) and account as soon as reasonably practicable for the proceeds of the sale (after deduction of all expenses relating to such sale) to the relevant Ineligible Overseas Shareholder.

4. Dealings in G2G Shares

4.1 Dealings in G2G Shares

(a) To establish the identity of the Scheme Shareholder, dealings in G2G Shares will only be recognised if:

(1) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the G2G Share Register as the holder of the relevant G2G Shares by the Record Date; and

(2) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the G2G Share Register is kept.

(b) Gas2Grid must register registrable transmission applications or transfers of the kind referred to in clause 4.1(a)(2) by the Record Date.

(c) Gas2Grid will not accept for registration or recognise for any purpose any transmission application or transfer in respect of G2G Shares received after the Record Date (other than the transfers contemplated by clause 3.2(a)).

4.2 Maintenance of the Register

For the purpose of determining entitlements to the Share Scheme Consideration, Gas2Grid must maintain the G2G Share Register in accordance with the provisions of this clause 4 until the Share Scheme Consideration has been issued and allotted to the Scheme Shareholders or the Sale Agent. The G2G Share Register in this form will solely determine entitlements to the Share Scheme Consideration.

4.3 Status of holding statements and certificates

All statements of holding or certificates for G2G Shares will cease to have effect from the Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the G2G Share Register will cease to have effect except as evidence of entitlement to the Share Scheme Consideration.

4.4 Provision of Information

On or before 9.00am on the Implementation Date, Gas2Grid must give to Orion details of the names, Registered Addresses and holdings of Scheme Shares of every Scheme Shareholder as shown in the G2G Share Register at the Record Date, such details to be provided in such form as Orion may reasonably require.

5. General Scheme provisions

5.1 Power to approve alterations or conditions

If the Court proposes to approve the Share Scheme subject to any alterations or conditions, Gas2Grid may by its counsel or solicitors, but subject to the prior approval of Orion (acting reasonably), consent on behalf of all persons concerned to those alterations or conditions.

5.2 Provision of Share Scheme Consideration by Orion

(a) The Orion Shares to be issued pursuant to the Share Scheme will be validly issued and fully paid and will rank pari passu in all respects will all other Orion Shares then on issue (other than in respect of any dividend already resolved to be paid and not yet paid by Orion, where the record date for entitlements to that dividend has passed).

(b) Orion's obligation to provide the Share Scheme Consideration to Eligible Scheme Shareholders will be satisfied by Orion:

(1) on the Implementation Date, entering the names and Registered Addresses (as at the Record Date) of the relevant Eligible Scheme Shareholder in the Orion Share Register as the holder of the Orion Shares issued to that Eligible Scheme Shareholder; and

(2) within five Business Days after the Implementation Date causing its share registry to despatch or procure the despatch to each Eligible Scheme Shareholder, by prepaid post to his, her or its Registered Address at the Record Date, an uncertificated holding statement in the name of that Eligible Scheme Shareholder in relation to the number of Orion Shares issued to that Eligible Scheme Shareholder.

(c) In satisfaction of its obligation to make any payment pursuant to clause 3.3 Orion will in relation to each Ineligible Overseas Shareholder despatch, or procure the despatch of, a cheque to the Ineligible Overseas Shareholder by pre-paid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Ineligible Overseas Shareholder.

(d) In the case of Scheme Shares held in joint names:

(1) any uncertificated holding statements for Orion Shares to be issued to Eligible Scheme Shareholders will be issued in the names of the joint holders; and

(2) any cheque required to be paid to Ineligible Overseas Shareholders will be payable to the joint holders,

and be forwarded to the holder whose name appears first in the G2G Share Register at the Record Date for the Share Scheme.

(e) Except for a Scheme Shareholder's tax file number, any binding instruction or notification between a Scheme Shareholder and Gas2Grid relating to Scheme Shares at the Record Date (including, without limitation, any instructions relating to payment of dividends or to communications from Gas2Grid) will from the Record Date be deemed (except to the extent determined otherwise by Orion in its sole discretion) to be a similarly binding instruction or notification to, and accepted by, Orion in respect of the Orion Shares issued to the Scheme Shareholder until that instruction or notification is revoked or amended in writing addressed to Orion at the Orion share registry. Any such instructions or notifications accepted by Orion will apply to and in respect of the issue of Orion Shares as part of the Share Scheme Consideration only to the extent that they are not inconsistent with the other provisions of the Share Scheme.

(f) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Orion and each of its directors and officers, jointly and severally, as that Scheme Shareholder's attorney and agent for the purpose of executing any form of application required for Orion Shares to be issued to that Scheme Shareholder pursuant to the Share Scheme.

(g) On and from the provision of the Share Scheme Consideration and pending registration by Gas2Grid of Orion in the G2G Register as the holder of the Scheme Shares:

(1) Orion will be beneficially entitled to the Scheme Shares transferred to it under the Share Scheme; and

(2) each Scheme Shareholder irrevocably appoints Orion as its sole proxy and, where appropriate, its corporate representative to attend shareholders' meetings of Gas2Grid, exercise the votes attached to the Scheme Shares registered in the name of the Scheme Shareholder and sign any shareholders' resolution of Gas2Grid and the Scheme Shareholder may not itself attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative.

(h) Orion will apply for and do all such things as are reasonably necessary to procure that the Orion Shares to be issued pursuant to the Share Scheme will be quoted on the stock market conducted by ASX as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

5.3 Acceptance of Share Scheme Consideration

Each Scheme Shareholder agrees to the transfer of their Scheme Shares in accordance with this Share Scheme. If the Share Scheme becomes Effective, each Scheme Shareholder consents to becoming a member of Orion, and to having their name and address entered in the Orion Share Register and on the issue and allotment to the Scheme Shareholders of their Orion Shares, each Scheme Shareholder agrees to be bound by the terms and conditions of the constitution of Orion.

5.4 Warranty by Scheme Shareholders

(a) To the extent permitted by law, the Scheme Shares (including any rights and entitlements attaching to those shares) transferred under the Share Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise.

(b) Each Scheme Shareholder is taken to have warranted to Orion and Gas2Grid that all his, her or its Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under this Share Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that he or she have full power and capacity to sell and to transfer his, her or its Scheme Shares (together with any rights attaching to those shares).

5.5 Power of attorney

Subject to clause 5.2(f), each Scheme Shareholder, without the need for any further act, irrevocably appoints Gas2Grid and all its directors and officers (jointly and severally) as his, her or its attorney and agent for the purpose of executing any document necessary to give effect to this Share Scheme and the transactions contemplated by it including a proper instrument of transfer of the Scheme Shareholder's Scheme Shares for the purposes of section 1071B, which may be a master transfer of all the Scheme Shares.

5.6 Suspension of quotation

It is expected that suspension of trading on ASX in G2G Shares will occur from the close of trading on the day Gas2Grid notifies the ASX that the Court has approved the Scheme under section 411(4)(b). Each Scheme Shareholder consents to such suspension and eventual delisting of Gas2Grid under clause 5.7.

5.7 Removal from official list of the ASX

On a date after the Implementation Date to be determined by Orion, Gas2Grid will apply:

(a) for termination of the official quotation of G2G Shares and G2G Options on the ASX; and

(b) to have itself removed from the official list of the ASX.

6. General

6.1 Further action

Gas2Grid will execute all deeds, instruments, transfers and other documents and do all things necessary or desirable to implement and perform its obligations under this Share Scheme and the transactions contemplated by it.

6.2 Consent

Each Scheme Shareholder consents to Gas2Grid doing all things and executing all deeds, instruments, transfers and other documents as may be necessary, incidental or desirable to the implementation of this Share Scheme and the transactions contemplated by it.

6.3 Notices

If a notice, transfer, transmission application, direction or other communication referred to in this Share Scheme is sent by post to Gas2Grid, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Gas2Grid's registered office or at the office of Gas2Grid's share registry.

6.4 Effect of Share Scheme

The Share Scheme binds Gas2Grid and all Scheme Shareholders from time to time and, to the extent of any inconsistency, overrides the constitution of Gas2Grid.

6.5 Costs and Stamp Duty

Gas2Grid will pay the costs of the Share Scheme, except that Orion will pay any stamp duty payable on the transfer by Scheme Shareholders of the Scheme Shares to Orion and the costs of complying with Orion's obligations under the Option Scheme.

6.6 Governing Law

This Share Scheme is governed by the laws of the State of New South Wales, Australia. The parties irrevocably submit to the non-exclusive jurisdiction of the courts of the State of New South Wales, Australia and courts of appeal from them. No party may object to the jurisdiction of any of those courts on the ground that it is an inconvenient forum or does not have jurisdiction.

PiperAlderman

Scheme of Arrangement

made under section 411 of the Corporations Act 2001
(Gas2Grid Limited options)

The holders of options to subscribe for fully paid ordinary shares in Gas2Grid Limited

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Schedule – Terms of Orion Options

PARTIES

1. **Gas2Grid Ltd** ACN 112 138 780 of C/- Mitchell & Partners, Level 7, 10 Barrack Street, Sydney, New South Wales 2000 (**Gas2Grid**)
2. **The holders of options in respect of fully paid ordinary shares in Gas2Grid (G2G Optionholders)**

INTRODUCTION

A. Gas2Grid is a public company limited by shares.

B. Gas2Grid has been admitted to the official list of ASX and G2G Options have been granted official quotation on the stock market conducted by ASX.

C. As at 1 December 2009, 38,584,422 G2G Options were on issue.

D. Orion is a public company limited by shares.

E. Orion has been admitted to the official list of ASX.

F. Orion has executed the Deed Poll in favour of Scheme Optionholders.

SCHEME OF ARRANGEMENT

1. Definitions and interpretation

1.1 Definitions

In this Option Scheme:

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited (ABN 98 008 624 691) also known as Australian Securities Exchange;

ASX Listing Rules means the Listing Rules of ASX;

Business Day has the meaning given in the ASX Listing Rules;

Conditions Precedent means the conditions precedent set out in clause 2.1;

Corporations Act means the Corporations Act 2001 (Cth);

Court means a court of competent jurisdiction in Sydney as selected by Gas2Grid;

Deed Poll means the deed poll dated 18 December 2009 executed by Orion pursuant to which Orion has, amongst other things, covenanted in favour of Scheme Optionholders to perform the obligations contemplated of it under the Option Scheme;

Effective means the coming into effect, under section 411(10), of the Court order made under section 411(4)(b) in relation to the Option Scheme;

Effective Date means the date on which the Scheme Order comes into effect pursuant to section 411(10);

Eligible Scheme Optionholder means a Scheme Optionholder other than an Ineligible Overseas Optionholder;

End Date means 31 March 2010 or such other date as agreed in writing between Orion and Gas2Grid before that date;

G2G Options means an option to subscribe for a G2G Share;

G2G Option Register means the register of holders of G2G Options maintains pursuant to the Corporations Act;

G2G Shares means fully paid ordinary shares in the capital of Gas2Grid;

Implementation Date means the third Business Day after the Record Date;

Ineligible Overseas Optionholder means a Scheme Optionholder whose address as shown in the G2G Option Register at the Record Date for the Option Scheme is in a jurisdiction other than Australia or its external territories or New Zealand except where Orion is reasonably satisfied that such issue of Orion Options to the Scheme Optionholder is not prohibited, not unduly onerous and not unduly impracticable in that jurisdiction;

Merger Implementation Agreement means the Merger Implementation Agreement dated 5 November 2009 between Gas2Grid and Orion relating to amongst other things, the implementation of the Option Scheme;

Option Scheme means this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6);

Option Scheme Consideration means 1 Orion Option for every 2.25 Scheme Options.

Option Scheme Transfer means, for each Scheme Optionholder, a duly completed and executed instrument of transfer of the Scheme Options for the purposes of section 1071B, which may be a master transfer of all the Scheme Options;

Orion means Orion Petroleum Limited ACN 125 394 667;

Orion Option means an option to subscribe for an Orion Share on the terms set out in the Schedule;

Orion Option Register means the register of holders of Orion Options maintained pursuant to the Corporations Act;

Orion Share means a fully paid ordinary share in the capital of Orion;

Record Date means 7.00pm on the fifth Business Day after the Effective Date;

Registered Address means, in relation to a Scheme Optionholder, the address shown in the G2G Option Register;

Sale Agent means the person nominated by Orion to sell the Orion Options that are attributable to the Ineligible Overseas Optionholders under the terms of the Option Scheme;

Scheme Order means the order of the Court made for the purposes of section 411(4)(b) in relation to the Option Scheme;

Scheme Optionholder means each person registered in the G2G Option Register as the holder of Scheme Options as at the Record Date;

Scheme Options means the G2G Options on issue and registered in the G2G Option Register at the Record Date; and

Second Court Hearing Date means the first day on which the Court hears the application for an order under section 411(4)(b) approving the Option Scheme;

Share Scheme means the share scheme under the Merger Implementation Agreement.

1.2 Interpretation

In this Option Scheme:

(a) words importing the singular include the plural and vice versa;

(b) words importing a gender include any gender;

(c) other parts of speech and grammatical forms of a word or phase defined in this Option Scheme have a corresponding meaning;

(d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any government agency;

(e) a reference to a clause, party, annexure or schedule is a reference to a clause of, and a party, annexure and schedule to this Option Scheme, and a reference to this Option Scheme includes any annexure and schedule;

(f) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;

(g) a reference to anydocument (including this Option Scheme) is to that document as varied, novated, ratified or replaced from time to time;

(h) the word 'includes' in any form is not a word of limitation;

(i) a reference to'$' or 'dollar' is to Australian currency;

(j) a reference to any time is a reference to that time in Sydney;

(k) a term or expression defined in or for the purposes of the Corporations Act has the same meaning when used in this Option Scheme; and

(l) a reference to a section, Part or Division is a reference to a section, Part or Division of the Corporations Act (respectively).

2. Conditions

2.1 Conditions precedent

The Option Scheme is conditional on each of the following Conditions Precedent:

(a) as at 8.00am on the Second Court Hearing Date, all of the conditions set out in clause 3.1 of the Merger Implementation Agreement have been satisfied or waived in accordance with the terms of the Merger Implementation Agreement;

(b) as at 8.00am on the Second Court Hearing Date, the Merger Implementation Agreement has not been terminated;

(c) the Option Scheme has been approved by the requisite majorities of G2G Optionholders in accordance with section 411(4)(a) at the Scheme Meeting;

(d) such other conditions made or required by the Court under section 411(6) in relation to the Option Scheme as are acceptable to Orion and Gas2Grid in their respective absolute discretions have been satisfied;

(e) the Share Scheme coming into effect, under section 411(10) of the Court order made under section 411(4)(b) in relation to the Share Scheme; and

(f) such other conditions made or required by the Court under section 411(6) in relation to the Share Scheme as are acceptable to Orion and Gas2Grid in their respective absolute discretions have been satisfied,

and the Option Scheme will be of no force or effect unless or until the Conditions Precedent are satisfied. For the avoidance of doubt, failure of a party to exercise a discretion under clause 2.1(d) is deemed to result in failure of that condition as if it had expressly not agreed to the acceptability of one or more court conditions. Each of Orion and Gas2Grid shall provide to the Court at the hearing on the Second Court Hearing Date a certificate confirming whether all the conditions in clause 2.1 of the Option Scheme (other than clauses 2.1(d), 2.1(e) and 2.1(f)) have been satisfied, or as applicable, waived as at 8.00am on the Second Court Hearing Date.

2.2 Waiver

The party or parties for whose benefit a condition operates may at their discretion waive any breach or non fulfilment of a condition precedent under clause 2.1 to the extent that such breach or non fulfilment of the condition is capable of being waived.

2.3 Non satisfaction of conditions

If the Effective Date does not occur on or before the End Date or such later date as Gas2Grid and Orion may agree in writing:

(a) the Option Scheme lapses and has no further force or effect; and

(b) Orion and Gas2Grid are released from:

(1) any further obligation to take steps to implement the Option Scheme; and

(2) any liability with respect to the Option Scheme.

3. The Option Scheme

3.1 Lodgement of Court orders

Gas2Grid must lodge with ASIC an office copy of the Scheme Order promptly after, and in any event by 5.00pm on the first Business Day after the day on which the Court makes that order.

3.2 Completion

On the Implementation Date:

(a) Subject to the provision of the Option Scheme Consideration in accordance with clause 5.2 and written confirmation of that provision of the Option Scheme Consideration being given by Orion to Gas2Grid, Gas2Grid will effect a valid transfer of the Scheme Options to Orion under section 1074D or, if that procedure is not available for any reason, by:

(1) Gas2Grid delivering to Orion the Option Scheme Transfer, without the need for any further act by any Scheme Optionholder;

(2) Orion duly executing the Option Scheme Transfer and delivering it to Gas2Grid for registration; and

(b) immediately after receipt of the Option Scheme Transfer duly executed by Orion, and subject to clause 3.3, Gas2Grid will enter the name and address of Orion in the Gas2Grid Option Register as the holder of the Scheme Options; and

(c) in consideration of the transfer of each Scheme Option to Orion, on the Implementation Date, Orion will provide the Option Scheme Consideration.

3.3 Ineligible Overseas Optionholders

Orion will be under no obligation under the Option Scheme to issue, and will not issue, any Orion Options to any Ineligible Overseas Optionholder, and instead:

(a) the Orion Options that would otherwise be required to be issued to the Ineligible Overseas Optionholder under the Option Scheme will be issued to the Sale Agent;

(b) Orion will procure that, as soon as reasonably practicable (and in any event, not more than 15 Business Days after the Implementation Date), the Sale Agent sells on the stock market conducted by ASX, all of the Orion Options issued under clause 3.3(a) and account as soon as reasonably practicable for the proceeds of the sale (after deduction of all expenses relating to the sale) to the relevant Ineligible Overseas Optionholder.

4. Dealings in G2G Options

4.1 Dealings in G2G Options

(a) To establish the identity of the Scheme Optionholder, dealings in G2G Options will only be recognised if:

(1) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the G2G Option Register as the holder of the relevant G2G Options by the Record Date; and

(2) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the G2G Option Register is kept.

(b) Gas2Grid must register registrable transmission applications or transfers of the kind referred to in clause 4.1(a)(2) by the Record Date.

(c) Gas2Grid will not accept for registration or recognise for any purpose any transmission application or transfer in respect of G2G Options received after the Record Date.

4.2 Maintenance of the G2G Option Register

For the purpose of determining entitlements to the Option Scheme Consideration, Gas2Grid must maintain the G2G Option Register in accordance with the provisions of this clause 4 until the Option Scheme Consideration has been issued and allotted to the Scheme Optionholders or the Sale Agent. The G2G Option Register in this form will solely determine entitlements to the Option Scheme Consideration.

4.3 Status of holding statements certificates

All statements of holding or certificates for G2G Options will cease to have effect from the Record Date as documents of title in respect of those options and, as from that date, each entry current at that date on the G2G Option Register will cease to have effect except as evidence of entitlement to the Option Scheme Consideration.

4.4 Provision of Information

On or before 9.00am on the Implementation Date, Gas2Grid must give to Orion details of the names, Registered Addresses and holdings of Scheme Options of every Scheme Optionholder as shown in the G2G Option Register at the Record Date, such details to be provided in such form as Orion may reasonably require.

5. General Scheme provisions

5.1 Power to approve alterations or conditions

If the Court proposes to approve the Option Scheme subject to any alterations or conditions, Gas2Grid may by its counsel or solicitors, but subject to the prior approval of Orion (acting reasonably), consent on behalf of all persons concerned to those alterations or conditions.

5.2 Provision of Option Scheme Consideration by Orion

(a) The Orion Options to be issued pursuant to the Option Scheme will be validly issued and will rank pari passu in all respects will all other Orion Options then on issue.

(b) Orion's obligation to provide the Option Scheme Consideration to Eligible Scheme Optionholders will be satisfied by Orion:

  (1) on the Implementation Date, entering the names and Registered Addresses (as at the Record Date) of the relevant Eligible Scheme Optionholder in the Orion Option Register as the holder of the Orion Options issued to that Eligible Scheme Optionholder; and

  (2) within five Business Days after the Implementation Date causing its share registry to despatch or procure the despatch to each Eligible Scheme Optionholder, by prepaid post to their Registered Address at the Record Date, an uncertificated holding statement in the name of that Eligible Scheme Optionholder in relation to the number of Orion Options issued to that Eligible Scheme Optionholder.

(c) In satisfaction of its obligation to make any payment pursuant to clause 3.3 Orion will in relation to each Ineligible Overseas Optionholder despatch, or procure the despatch of, a cheque to the Ineligible Overseas Optionholder by prepaid post to their registered address (as at the Record Date), such cheque being drawn in the name of the Ineligible Overseas Optionholder.

(d) In the case of Scheme Options held in joint names:

  (1) any uncertificated holding statements for Orion Options to be issued to Eligible Scheme Optionholders will be issued in the names of the joint holders; and

  (2) any cheque required to be paid to Ineligible Overseas Optionholders will be payable to the joint holders,

and be forwarded to the holder whose name appears first in the G2G Option Register at the Record Date for the Option Scheme.

(e) Except for a Scheme Optionholder's tax file number, any binding instruction or notification between a Scheme Optionholder and Gas2Grid relating to Scheme Options at the Record Date (including, without limitation, any instructions relating to communications from Gas2Grid) will from the Record Date be deemed (except to the extent determined otherwise by Orion in its sole discretion) to be a similarly binding instruction or notification to, and accepted by, Orion in respect of the Orion Options issued to the Scheme Optionholder until that instruction or notification is revoked or amended in writing addressed to Orion at the Orion share registry. Any such instructions or notifications accepted by Orion will apply to and in respect of the issue of Orion Options as part of the Option Scheme Consideration only to the extent that they are not inconsistent with the other provisions of the Option Scheme.

(f) Each Scheme Optionholder, without the need for any further act, irrevocably appoints Orion and each of its directors and officers, jointly and severally, as that Scheme Optionholder's attorney and agent for the purpose of executing any form of application required for Orion Options to be issued to that Scheme Optionholder pursuant to the Option Scheme.

(g) Pending registration by Gas2Grid of Orion in the G2G Option Register as the holder of the Scheme Options:

  (1) Orion will be beneficially entitled to the Scheme Options transferred to it under the Option Scheme; and

  (2) each Scheme Optionholder irrevocably appoints Orion as its sole proxy and, where appropriate, its corporate representative to attend optionholders' meetings of Gas2Grid, exercise the votes attached to the Scheme Options registered in the name of the Scheme Optionholder and sign any optionholders' resolution of Gas2Grid and the Scheme Optionholder may not itself attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative.

(h) Orion will apply for and do all such things as are reasonably necessary to procure that the Orion Options to be issued pursuant to the Option Scheme will be quoted on the stock market conducted by ASX as soon as practicable after the Effective Date for the Option Scheme, initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

5.3 Acceptance of Option Scheme Consideration

Each Scheme Optionholder agrees to the transfer of their Scheme Options in accordance with this Option Scheme. If the Option Scheme becomes Effective, each Eligible Scheme Optionholder consents to becoming a holder of Orion Options, and to having their name and address entered in the Orion Options Register.

5.4 Warranty by Scheme Optionholders

(a) To the extent permitted by law, the Scheme Options transferred under the Option Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise.

(b) Each Scheme Optionholder is taken to have warranted to Orion and Gas2Grid that all his, her or its Scheme Options (including any rights and entitlements attaching to those options) which are transferred under this Option Scheme will, at the date of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that he, she or it has full power and capacity to sell and to transfer his, her or its Scheme Options (together with any rights attaching to those options).

5.5 Power of attorney

Subject to clause 5.2(f), each Scheme Optionholder, without the need for any further act, irrevocably appoints Gas2Grid and all its directors and officers (jointly and severally) as their attorney and agent for the purpose of executing any document necessary to give effect to this Option Scheme and the transactions contemplated by it including a proper instrument of transfer of the Scheme Optionholder's Scheme Options for the purposes of section 1071B, which may be a master transfer of all the Scheme Options.

5.6 Suspension of quotation

It is expected that suspension of trading on ASX in G2G Options will occur from the close of trading on the day Gas2Grid notifies the ASX that the Court has approved the Scheme under section 411(4)(b). Each Scheme Optionholder consents to such suspension and eventual delisting of Gas2Grid under clause 5.7.

5.7 Removal from official list of the ASX

On a date after the Implementation Date to be determined by Orion, Gas2Grid will apply:

(a) for termination of the official quotation of G2G Shares and G2G Options on the ASX; and

(b) to have itself removed from the official list of the ASX.

6. General

6.1 Further action

Gas2Grid will execute all deeds, instruments, transfers and other documents and do all things necessary or desirable to implement and perform its obligations under this Option Scheme and the transactions contemplated by it.

6.2 Consent

Each Scheme Optionholder consents to Gas2Grid doing all things and executing all deeds, instalments, transfers and other documents as may be necessary, incidental or desirable to the implementation of this Option Scheme and the transactions contemplated by it.

6.3 Notices

If a notice, transfer, transmission application, direction or other communication referred to in this Option Scheme is sent by post to Gas2Grid, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Gas2Grid's registered office or at the office of Gas2Grid's option registry.

6.4 Effect of Option Scheme

The Option Scheme binds Gas2Grid and all Scheme Optionholders from time to time and, to the extent of any inconsistency, overrides the terms of the G2G Options and constitution of Gas2Grid.

6.5 Costs and Stamp Duty

Gas2Grid will pay the costs of the Option Scheme, except that Orion will pay any stamp duty payable on the transfer of the Scheme Options and the costs of complying with Orion's obligations under the Option Scheme.

6.6 Governing Law

This Option Scheme is governed by the laws of the State of New South Wales, Australia. The parties irrevocably submit to the non-exclusive jurisdiction of the courts of the State of New South Wales, Australia and courts of appeal from them. No party may object to the jurisdiction of any of those courts on the ground that it is an inconvenient forum or does not have jurisdiction.

SCHEDULE – TERMS OF ORION OPTIONS

The terms and conditions of the Orion Options are as follows:

1. Each Orion Option entitles the holder to subscribe for one fully paid ordinary share in the capital of Orion Petroleum Limited.
2. The Orion Options shall expire at 5.00pm New South Wales standard time in accordance with the Standard Time Act 1987 (NSW) on 30 November 2010 (**Expiry Date**). Any Orion Option which has not been exercised prior to the Expiry Date automatically lapses.
3. The Orion Options are exercisable at an exercise price of $0.18 per share at any time on or before the Expiry Date.
4. The Orion Options are freely transferable.
5. All shares issued pursuant to the exercise of Orion Options will be allotted within 10 business days after the exercise of the Orion Options and will rank pari passu in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for official quotation by ASX of all shares issued upon exercise of the Orion Option on or before the third business day on which ASX is open after the date of allotment of the shares.
6. There are no participating rights or entitlement inherent in the Orion Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Orion Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give option holders the opportunity to exercise their Orion Options prior to the date for determining entitlements to participate in any such issue.
7. In the event of reorganisation (including a consolidation, sub-division, reduction or return) of the issued capital of the Company, the number of Orion Options or the exercise price of the Orion Options or both shall be reorganised (as appropriate) in the manner required by the Listing Rules.
8. If there is a pro-rata issue (except a bonus issue) to the holders of the ordinary shares, the exercise price of each Orion Option shall be reduced according to the following formula:

   $$O' = O - \frac{E[P-(S+D)]}{N+1}$$

   Where:

   O' = the new exercise price of Orion Option

   O = the old exercise price of Orion Option

   E = the number of ordinary shares into which one Orion Option is exercisable

   P = the average market price per ordinary shares (weighted by reference to volume) of the ordinary shares during the 5 trading days ending on the day before the ex-rights or ex-entitlements date

   S = the subscription price for an ordinary share under the pro-rata issue

   D = the dividend due but not yet paid on the ordinary shares (except those to be issued under the pro-rata issue)

   N = the number of ordinary shares with rights or entitlements that must be held to receive a right to one new ordinary share.
9. If there is a bonus issue to the holders of ordinary shares, the number of securities over which the Orion Option is exercisable will be increased by the number of ordinary shares which the holder of Orion Option would have received if the Orion Option had been exercised before the record date for the bonus issue.
10. If and to the extent any of the preceding terms and conditions are inconsistent with the rules or requirements of any securities exchange on which the Company's shares are listed or are proposed to be listed from time to time, the rules of the relevant securities exchange will prevail in all respects to the extent of the inconsistency.
11. These terms and conditions are governed by the laws of the State of New South Wales and the holder of the Orion Options unconditionally submits to the jurisdiction of the courts of that State and courts of appeal from them.

16. NOTICES OF SCHEME MEETINGS

NOTICE OF COURT ORDERED MEETING OF HOLDERS OF ORDINARY SHARES IN GAS2GRID LIMITED ACN 112 138 780

NOTICE IS GIVEN that by an Order of the Federal Court of Australia (**Court**), made on 17 December 2009 under section 411(1) of the Corporations Act, a meeting of holders of ordinary shares issued in the capital of Gas2Grid Limited (**Gas2Grid**) will be held at the offices of Mitchell & Partners, Level 7, 10 Barrack Street, Sydney, New South Wales 2000 at 11.00 am (Sydney time) on 28 January 2010 (**Share Scheme Meeting**).

Business

The purpose of the Share Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) to be made between Gas2Grid and the holders of its ordinary shares as at 7.00 pm (Sydney time) on the Record Date (**Gas2Grid Shareholders**) under Part 5.1 of the Corporations Act. The share scheme of arrangement is proposed to be made in respect of the Gas2Grid Shares held by Gas2Grid Shareholders, in the form of the scheme contained in section 14 of this Scheme Booklet of which this notice forms part (**Share Scheme**).

A copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the Share Scheme is included in this Scheme Booklet of which this notice forms part.

The Court directed that David Munns is to act as Chairman and Patrick Sam Yue as alternate Chairman of the Share Scheme Meeting.

Terms used in this notice, including in the resolution set out below, have the meanings ascribed to those terms in the Glossary which is contained in this Scheme Booklet of which this notice forms part, unless otherwise defined in this notice.

Resolution

The resolution to be considered at the Share Scheme Meeting is as follows:

"That, under and in accordance with section 411 of the Corporations Act 2001, the Share Scheme between Gas2Grid and the Gas2Grid Shareholders which is set out in section 14 of this Scheme Booklet (of which the notice convening this meeting forms part), is agreed to (with or without modification as approved by the Court)."

Voting and required majority

The resolution to approve the Share Scheme (with or without modification) must be passed at the Share Scheme Meeting (or any adjournment of that meeting) by a majority in number of the Gas2Grid Shareholders present and voting (either in person or by proxy, attorney or corporate representative) being a majority whose Gas2Grid Shares in aggregate are at least 75% of the Gas2Grid Shares held by the Gas2Grid Shareholders present and voting on the resolution (either in person or by proxy, attorney or corporate representative). The vote will be conducted by poll.

Entitlement to vote

Under section 411 of the Corporations Act and all other enabling powers, the Court has determined that for the purposes of the Share Scheme Meeting, all Gas2Grid Shares in Gas2Grid will be taken to be held by the persons who held them as registered Gas2Grid Shareholders at 11.00 am (Sydney time) on 26 January 2010.

All Gas2Grid Shareholders at 11.00 am (Sydney time) on 26 January 2010 will therefore be entitled to attend and vote at the Share Scheme Meeting or any adjournment of that meeting.

A Gas2Grid Shareholder entitled to vote who is present in person or by proxy, or attorney, (or in the case of a corporation), by a representative authorised in the manner provided by the Corporations Act, has one vote for each fully paid ordinary share held as proxy, attorney or representative on behalf of a Gas2Grid Shareholder.

A Gas2Grid Shareholder entitled to attend and vote may appoint not more than two proxies.

Where two proxies are appointed, each proxy must be appointed to represent a specified proportion of the Gas2Grid Shareholder's voting rights, otherwise each proxy is entitled to exercise half of the votes.

A proxy need not be a Gas2Grid Shareholder.

A blue Share Scheme proxy form accompanies this notice of meeting.

A blue Share Scheme proxy form and the original or a copy of the power of attorney (if any) under which it was signed must be delivered or lodged by facsimile as set out below by 11.00 am (Sydney time) on 26 January 2010.

Note: for postal votes to be counted, effectively they will need to be delivered to the relevant postal address by 5.00 pm (Sydney time) on 25 January 2010.

By mail or hand delivery:

Gas2Grid Limited
C/- Gould Ralph Pty Limited
Level 42, AAP Centre
259 George Street
SYDNEY NSW 2000

or

Gas2Grid Limited
C/- Company Secretary
C/- Mitchell & Partners
Level 7,
10 Barrack Street
SYDNEY NSW 2000

By facsimile transmission:

Within Australia (02) 9032 3088

Outside Australia +61 2 9032 3088

The blue Share Scheme proxy form sent to you with this notice should be used for the Share Scheme Meeting. If you wish to appoint a proxy, you must sign the blue proxy form and return it to the above address or facsimile number by 11.00 am (Sydney time) on 26 January 2010. A reply paid envelope for Australian Gas2Grid Shareholders has been provided. If proxies are sent by post, effectively they will need to be delivered by 5.00 pm (Sydney time) on 25 January 2010 for them to be counted.

Court approval

The Share Scheme (with or without modification) is subject to subsequent approval by the Court. If the resolution put to the Share Scheme Meeting is approved by the requisite majority of Gas2Grid Shareholders, the Option Scheme is similarly approved and the necessary resolution passed at the Orion Shareholders Meeting as set out in the Scheme Booklet of which this notice forms part, Gas2Grid intends to apply to the Court for an order to give effect to the Share Scheme.

Steven J Danielson

Company Secretary

21 December 2009

NOTICE OF COURT ORDERED MEETING OF HOLDERS OF OPTIONS IN GAS2GRID LIMITED ACN 112 138 780

NOTICE IS GIVEN that by an Order of the Federal Court of Australia (Court), made on 17 December 2009 under section 411(1) of the Corporations Act, a meeting of holders of options issued by Gas2Grid Limited (**Gas2Grid**) will be held at the offices of Mitchell & Partners, Level 7, 10 Barrack Street, Sydney, New South Wales 2000 at 12.00 noon (Sydney time) on 28 January 2010 or as soon thereafter as the Share Scheme Meeting is concluded or adjourned (**Option Scheme Meeting**).

Business

The purpose of the Option Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) to be made between Gas2Grid and the holders of its options as at 7.00 pm (Sydney time) on the Record Date (**Gas2Grid Optionholders**) under Part 5.1 of the Corporations Act. The option scheme of arrangement is proposed to be made in respect of Gas2Grid Options held by Gas2Grid Optionholders, in the form of the scheme contained in section 15 of this Scheme Booklet of which this notice forms part (**Option Scheme**).

A copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the Option Scheme is included in this Scheme Booklet of which this notice forms part.

The Court directed that David Munns is to act as Chairman and Patrick Sam Yue as alternate Chairman of the Option Scheme Meeting.

Terms used in this notice, including in the resolution set out below, have the meanings ascribed to those terms in the Glossary which is contained in this Scheme Booklet of which this notice forms part, unless otherwise defined in this notice.

Resolution

The resolution to be considered as the Option Scheme Meeting is as follows:

"*That, under and in accordance with section 411 of the Corporations Act 2001, the Option Scheme between Gas2Grid and the Gas2Grid Optionholders which is set out in section 15 of this Scheme Booklet (of which the notice convening this meeting forms part), is agreed to (with or without modification as approved by the Court)*."

Voting and required majority

The resolution to approve the Option Scheme (with or without modification) must be passed at the Option Scheme Meeting (or any adjournment of that meeting) by a majority in number of the Gas2Grid Optionholders present and voting (either in person or by proxy, attorney or corporate representative) being a majority whose debts or claims against Gas2Grid amount in the aggregate of at least 75% of the total amount of the debts and claims of the Gas2Grid Optionholders present and voting at the Option Scheme Meeting (in person, by proxy, by attorney or in the case of corporate Gas2Grid Optionholders, by corporate representative).

Each Gas2Grid Option has the same terms and conditions and entitle the holder to be issued with a Gas2Grid Share on payment of the exercise price. For the purposes of determining the amount of debts or claims and therefore the voting entitlement, the Gas2Grid Directors without a conflict therefore consider that each Gas2Grid Option has the same debt or claim value against Gas2Grid, and accordingly each Gas2Grid Option will be entitled one vote in respect of the Option Scheme at the Option Scheme Meeting. The vote will be conducted by poll.

Entitlement to vote

Under section 411 of the Corporations Act and all other enabling powers, the Court has determined that for the purposes of the Option Scheme Meeting, all Gas2Grid Options over Gas2Grid Shares shall be taken to be held by the persons who held them as registered Gas2Grid Optionholders at 12.00 noon (Sydney time) on 26 January 2010.

All Gas2Grid Optionholders at 12.00 noon (Sydney time) on 26 January 2010 will therefore be entitled to attend and vote at the meeting or any adjournment of that meeting.

A Gas2Grid Optionholder entitled to vote who is present in person or by proxy, or attorney, (or in the case of a corporation), by a representative authorised in the manner provided by the Corporations Act, has one vote for each option held as proxy, attorney or representative on behalf of a Gas2Grid Optionholder.

A Gas2Grid Optionholder entitled to attend and vote may appoint not more than two proxies.

Where two proxies are appointed, each proxy must be appointed to represent a specified proportion of the Gas2Grid Optionholder's voting rights, otherwise each proxy is entitled to exercise half of the votes.

A proxy need not be a Gas2Grid Optionholder.

A green Option Scheme proxy form accompanies this notice of meeting.

A green Option Scheme proxy form and the original or a copy of the power of attorney (if any) under which it was signed must be delivered or lodged by facsimile as set out below before 12.00 noon (Sydney time) on 26 January 2010.

Note: for postal votes to be counted, effectively they will need to be delivered to the relevant postal address by 5.00 pm (Sydney time) on 25 January 2010.

By mail or hand delivery:

Gas2Grid Limited
C/- Gould Ralph Pty Limited
Level 42, AAP Centre
259 George Street
SYDNEY NSW 2000

or

Gas2Grid Limited
C/- Company Secretary
C/- Mitchell & Partners
Level 7,
10 Barrack Street
SYDNEY NSW 2000

By facsimile transmission:

Within Australia (02) 9032 3088
Outside Australia +61 2 9032 3088

The green Option Scheme Proxy Form sent to you with this notice should be used for the Option Scheme Meeting. If you wish to appoint a proxy, you must sign the green proxy form and return it to the above address or facsimile number by 12.00 noon (Sydney time) on 26 January 2010. A reply paid envelope for Australian Gas2Grid Optionholders has been provided. If proxies are sent by post, effectively they will need to be delivered by 5.00 pm (Sydney time) on 25 January 2010 for them to be counted.

Court approval

The Option Scheme (with or without modification) is subject to subsequent approval by the Court. If the resolution put to the Option Scheme Meeting is approved by the requisite majority of Gas2Grid Optionholders, the Share Scheme is similarly approved and the necessary resolution passed at the Orion Shareholders Meeting as set out in the Scheme Booklet of which this notice forms part, Gas2Grid intends to apply to the Court for an order to give effect to the Option Scheme.

Steven J Danielson

Company Secretary

21 December 2009

17. GLOSSARY

In this Scheme Booklet, unless the context requires otherwise:

Announcement	the announcements by Gas2Grid and Orion to ASX in relation to the proposed Merger dated 5 November 2009;
ASIC	Australian Securities and Investments Commission;
ASTC	the official rules of the ASX Settlement and Transfer Corporation Pty Ltd;
ASX	ASX Limited ACN 008 624 691 also known as Australian Securities Exchange;
Business Day	has the meaning given in the Listing Rules;
CHESS	clearing house electronic subregister system, which provides for the electronic transfer of securities in Australia;
Conditions	the conditions precedent to certain obligations of Gas2Grid and Orion under clause 3 of the Merger Implementation Agreement and summarised in section 1.8 of this Scheme Booklet;
Corporations Act	the Corporations Act 2001 (Commonwealth);
Court	the Federal Court of Australia;
Deed Poll	the deed poll executed on 18 December 2009 by Orion in favour of the Gas2Grid Shareholders and Gas2Grid Optionholders;
Director or **Gas2Grid Director**	a director of Gas2Grid;
Effective	when used in relation to a Scheme, means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to that Scheme;
Effective Date	when used in relation to a Scheme, means the date on which an office copy of the relevant Scheme order is lodged with ASIC under section 411(10) of the Corporations Act or, if an earlier date is specified in the relevant Scheme Order for the coming into effect of the Scheme, that earlier date;
Exercise Price	the exercise price of a Gas2Grid Option;
Explanatory Statement	this Scheme Booklet other than section 16;
Federal Court Rules	means the Federal Court (Corporations) Rules 2000;
Foreign Scheme Optionholder	a Gas2Grid Optionholder whose address in the Register as at 7.00 pm (Sydney time) on the Record Date is a place outside Australia, its external territories or New Zealand;
Foreign Scheme Shareholder	a Gas2Grid Shareholder whose address in the Register as at 7.00 pm (Sydney time) on the Record Date is a place outside Australia, or its external territories or New Zealand;
Gas2Grid	Gas2Grid Limited ACN 112 138 780;
Gas2Grid Directors without a conflict	David Munns and Patrick Sam Yue who, under the sub-committee protocol adopted by the Gas2Grid Directors (a summary of which is set out in section 1.2 of this Scheme Booklet), are not considered to have a conflict;
Gas2Grid Information	the information contained in section 7 of this Scheme Booklet and other information in this Scheme Booklet relating to Gas2Grid, other than the Orion Information, the Independent Expert Report in section 18 and the Tax Report in section 10;
Gas2Grid Option	an option to subscribe for Gas2Grid Shares;
Gas2Grid Optionholder	a person who is registered as the holder of a Gas2Grid Option;
Gas2Grid Share Registry	means Gould Ralph Pty Limited ACN 091 560 913 of Level 42, AAP Centre, 259 George Street, Sydney NSW 2000;
Gas2Grid Shareholder	a person who is registered as the holder of Gas2Grid Shares;
Gas2Grid Shares	fully paid ordinary shares in the capital of Gas2Grid;
Grant Thornton	means Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 AFSL 247140;
Implementation Date	the date which is three Business Days after the Record Date;
Independent Expert	Grant Thornton;
Independent Expert's Report	the report prepared by the Independent Expert in relation to the Merger, a copy of which is included in this Scheme Booklet at section 18;

Listing Rules	the official listing rules of ASX and includes the market rules of ASX;
Merged Group	the Orion group following implementation of the Merger, when Gas2Grid will become a wholly owned subsidiary of Orion;
Merger	the merger or proposed merger (as the case requires) of Gas2Grid and Orion by way of the Schemes and on the terms set out in this Scheme Booklet;
Merger Implementation Agreement	the merger implementation agreement between Gas2Grid and Orion dated 5 November 2009, a copy of which is contained in section 12 of this Scheme Booklet;
Mulready Consulting Services	means Mulready Consulting Services Pty Ltd ACN 007 049 989;
Option Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act to be made between Gas2Grid and the Gas2Grid Optionholders in respect of the Gas2Grid Options and which is set out in section 15 of this Scheme Booklet, subject to any alteration or condition made or required by the Court pursuant to section 411(6) of the Corporations Act;
Option Scheme Consideration	the consideration to be paid to Optionholders for their Gas2Grid Options, as summarised in section 4;
Option Scheme Meeting	the meeting ordered by the Court to be convened under section 411(1) of the Corporations Act in respect of the Option Scheme and includes any adjournment of that meeting;
Orion	Orion Petroleum Limited ACN 125 394 667;
Orion Information	the information relating to Orion contained in sections 6, 8, 9 and 11 of this Scheme Booklet;
Orion Option	means an option to subscribe for Orion Shares;
Orion Shareholder Meeting	means the meeting of Orion shareholders intended to be held on or about 27 January 2010 as referred to under section 1.8 and includes any adjournment of that meeting;
Orion Shares	fully paid ordinary shares in the capital of Orion;
Record Date	the date five Business Days after the Effective Date, or any other date agreed by Gas2Grid and Orion in writing to be the Record Date to determine entitlements to receive the Share Scheme Consideration and the Option Scheme Consideration;
Register	the relevant register of members of Gas2Grid Shareholders or Optionholders (as the case requires);
Scheme Booklet	this booklet;
Scheme Meetings	the Share Scheme Meeting and the Option Scheme Meeting;
Schemes	the schemes of arrangement under Part 5.1 of the Corporations Act to be made between Gas2Grid and Gas2Grid Shareholders and Gas2Grid Optionholders as described in this Scheme Booklet subject to any alteration or conditions made or required by the Court under section 411(6) of the Corporations Act;
Second Court Date	the first day on which an application is made to the Court for an order approving the Share Scheme and the Option Scheme under section 411(4)(b) of the Corporations Act is heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard;
Second Court Hearing	the hearing of the application to the Court for an order under section 411(4)(b) of the Corporations Act approving Schemes;
Share Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act to be made between Gas2Grid and the Gas2Grid Shareholders in respect of the Gas2Grid Shares and which is set out in section 14 of this Scheme Booklet, subject to any alteration or condition made or required by the Court under section 411(6) of the Corporations Act;
Share Scheme Consideration	the consideration to be paid to Gas2Grid Shareholders for their Gas2Grid Shares, as summarised in section 2;
Share Scheme Meeting	the meeting of Gas2Grid Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in respect of the Share Scheme and includes any adjournment of that meeting;
Tax Report	means the tax report prepared by Wiltax Consulting in relation to the Merger, a copy of which is included in this Scheme Booklet at section 10;
Wiltax Consulting	means Wiltax Consulting Pty Ltd ACN 079 382 791.

Interpretation

Terms used but not defined in this Scheme Booklet have the meaning, if any, given to them in the Corporations Act or the Listing Rules unless that meaning is inconsistent with the context in which the term is used.

In this Scheme Booklet:

(a) headings are for convenience only and do not affect the meaning of the paragraphs or sections they introduce,

and unless indicated otherwise or the context otherwise requires:

(b) the singular includes the plural and vice versa;

(c) words importing any gender include any other genders;

(d) references to persons include corporations;

(e) annexures to this Scheme Booklet form part of this Scheme Booklet;

(f) references to paragraphs or sections are to paragraphs or sections in this Scheme Booklet;

(g) references to "dollars", "$", "A$" or "cents" are references to Australian currency; and

(h) references to time are to Sydney time.

Grant Thornton

Gas2Grid Limited

Independent Expert's Report and Financial Services Guide

1 December 2009

Grant Thornton

Sub-Committee of Directors
Gas2Grid Limited
Level 22, Goldfields House
1 Alfred Street
Sydney, NSW 2000

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

Level 17, 383 Kent Street
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Sydney NSW 1230
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1 December 2009

Dear Sirs

Independent Expert's Report and Financial Services Guide

Introduction

Gas2Grid Limited ("GGX") is an oil and gas exploration company listed on the Australian Securities Exchange ("ASX"). GGX's exploration assets are located in Australia, France and the Philippines.

Orion Petroleum Limited ("OIP") is an ASX listed company engaged in the exploration of oil and gas in New South Wales, Australia.

On 15 October 2009, GGX announced that it had entered into negotiations with OIP in relation to a possible control transaction. On 5 November 2009, GGX and OIP announced that they had entered into a merger implementation agreement ("MIA") to be implemented by way of two interdependent schemes of arrangement ("Proposed Merger") to be considered and voted upon by the shareholders of GGX ("GGX Shareholders") and optionholders of GGX ("GGX Optionholders").

Specifically, the Proposed Merger is intended to be implemented by the following interdependent schemes:

- GGX Shareholders are to receive 1 share in OIP ("OIP Share") for every 2.25 shares held ("Merger Ratio") in GGX ("GGX Shares") (the "Proposed Share Scheme");

- GGX Optionholders are to receive 1 option in OIP ("OIP Option") for every 2.25 options held in GGX ("GGX Options") (the "Proposed Option Scheme");

The directors of GGX recommend that GGX Shareholders and GGX Optionholders vote for the Proposed Share Scheme and Proposed Option Scheme ("Proposed Schemes") respectively, in the absence of a superior offer. Each director of GGX who directly and indirectly owns GGX Shares or

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GGX Options intends to vote in favour of the Proposed Share Scheme and Proposed Option Scheme, in the absence of a superior offer.

The Proposed Merger is subject to a number of conditions, including:

- GGX Shareholders and GGX Optionholders approving the Proposed Share Scheme and the Proposed Option Scheme respectively;
- directors of GGX unanimously state that they intend to vote in favour of the Proposed Schemes, in the absence of a superior offer;
- court and regulatory approvals in relation to the Proposed Merger being obtained;
- required OIP's shareholder approval is obtained by the second court hearing date.

Effect of the Proposed Schemes

If the Proposed Schemes are implemented:

- GGX Shareholders will receive 1 OIP Share for every 2.25 GGX Shares held. OIP will acquire all GGX Shares and GGX will be delisted from the ASX;
- GGX Shareholders collectively will become minority shareholders in OIP following implementation of the Proposed Merger ("Merged Group"). The Proposed Merger will result in GGX Shareholders holding approximately 34.4% of the Merged Group on an undiluted basis or 26.4% on a fully diluted basis;
- all of the GGX Options will be transferred to OIP. GGX Optionholders will receive 1 OIP Option for every 2.25 GGX Options held and GGX Options will be delisted from the ASX; and
- the board of the Merged Group will comprise one existing OIP Director, one existing GGX Director, current Managing Director of OIP and current Managing Director of GGX, who is also the Chairman of OIP.

Purpose of the report

Section 411 of the Corporations Act, 2001 (the "Corporations Act") regulates schemes of arrangement between companies and their security holders. Part 3 of Schedule 8 of the Corporations Regulations, 2001 ("Corporations Regulations") prescribes information to be sent to shareholders and creditors in relation to members' and creditors' schemes of arrangement pursuant to Section 411 of the Corporations Act.

The directors of GGX without a conflict[1] require an independent expert's report to be prepared pursuant to Part 3 of Schedule 8 of the Corporations Regulations, as GGX and OIP have a common director. Accordingly, GGX has appointed Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report to state whether:

- the Proposed Share Scheme is in the best interests of GGX Shareholders; and
- the Proposed Option Scheme is in the best interests of GGX Optionholders.

Proposed Share Scheme - Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Share Scheme is in the best interests of GGX Shareholders.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Proposed Share Scheme is fair and reasonable to GGX Shareholders. For the purpose of this report, we note that the Proposed Schemes are considered a control transaction under ASIC Regulatory Guide 111 ("RG 111").

In forming our opinion in relation to the fairness of the Proposed Share Scheme to the GGX Shareholders, Grant Thornton Corporate Finance has considered the following:

- the underlying value of the consideration offered to GGX Shareholders compared with the fair market value of GGX prior to the Proposed Merger; and
- we have also considered as a cross check whether the Merger Ratio is consistent with our valuation assessment of GGX on a controlling basis and OIP on a minority basis prior to the Proposed Merger.

When considering the underlying value of the exploration assets of GGX and OIP, Grant Thornton Corporate Finance has engaged an independent technical specialist, Mulready Consulting Services Pty Ltd ("MCS"). MCS has reviewed the technical information provided by GGX and OIP and has provided a current fair market valuation assessments in relation to the exploration assets owned by GGX and OIP. The report prepared by MCS ("MCS Report") is included as Appendix B to this report and it was prepared in accordance with the VALMIN Code.

Underlying value of the consideration offered

In our assessment of the fairness of the Proposed Merger, we have compared the value of the consideration offered to GGX Shareholders following implementation of the Proposed Merger on a minority basis with the underlying value of a GGX Share prior to the Proposed Merger on a controlling basis.

---

[1] Dennis Morton, a director of GGX is also a director of OIP. In addition, Dennis Morton or interests associated with him are substantial shareholders in and optionholders of GGX. Accordingly, a sub-committee of GGX Directors without a conflict, was established to consider the Schemes and protocols were adopted so that Dennis Morton only participated in matters relating to the Schemes at the request of the GGX Directors without a conflict and then only to provide assistance on certain limited matters from time to time

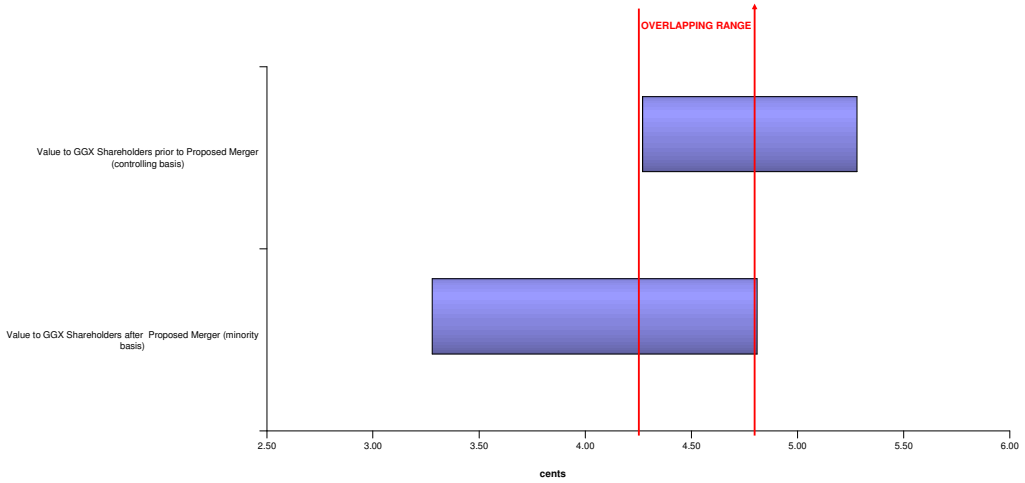
The following table summarises our assessment:

Pre and post assessment	Section Reference	Low cents per share	High cents per share
Value to GGX Shareholders prior to Proposed Merger (controlling basis)	8.8	4.27	5.28
Value to GGX Shareholders after Proposed Merger (minority basis)	10.3	3.28	4.81

Source: Calculations

The high end of our assessment of the value of the consideration offered for GGX Shares on a minority basis falls within the range of our assessment of GGX Shares on a controlling basis prior to implementation of the Proposed Merger. Accordingly, we conclude that the consideration offered to the GGX Shareholders is fair.

Set out below is a graphic representation of our fairness assessment.



Whilst we have concluded that the consideration offered to GGX Shareholders is fair, we note the low end of our valuation range of the consideration offered is below our assessed value range of GGX prior to the Proposed Merger.

We note that the minimum value of the consideration offered required to ensure GGX Shareholders are not disadvantaged financially by implementing the Proposed Merger is 4.27 cents. In the event that the fair market value of the consideration offered is below 4.27 cents, then the Proposed Scheme would not be fair. However, under these circumstances we believe that the Proposed Merger is still reasonable having regard to the reasonableness considerations set out below and accordingly the Proposed Merger would remain in the best interests of GGX Shareholders.

Merger Ratio

We have also cross-checked our fairness assessment of the Proposed Merger having regard to our assessment of the Merger Ratio using the underlying value of GGX and OIP as set out in the table below:

Merger ratio assessment	Section Reference	Low cents per share	High cents per share
Value of GGX prior to Proposed Merger (controlling basis)	8.8	4.27	5.28
Merger ratio (times)		2.25	2.25
Value to be relinquished by GGX Shareholders		9.60	11.88
Value of OIP prior to Proposed Merger (minority basis)	9.8	7.22	10.89

Source: Calculations

As the implied value per share of GGX based on the Merger Ratio is within our assessed valuation range of OIP, we conclude that the Merger Ratio is appropriate to the GGX Shareholders having regard to the terms of the Proposed Merger.

Reasonableness of the Proposed Share Scheme

For the purpose of assessing whether the Proposed Share Scheme is reasonable to the GGX Shareholders, we have considered the following likely advantages and disadvantages associated with the Proposed Share Scheme.

Advantages

If the Proposed Share Scheme is implemented, the likely advantages include:

- GGX will have immediate access to OIP's significant cash resources to further progress and expedite its extensive planned work program for its exploration asset in the Philippines (i.e. SC44) and other identified projects. If the Proposed Merger is not implemented, GGX will be required to raise additional funding on the market to further develop its existing exploration assets or enter into joint venture agreements with potential interested parties. There is uncertainty in relation to the ability of GGX on a stand alone basis to raise sufficient cash to fully fund the planned work program in relation to SC44. Furthermore, a joint venture agreement with external parties will result in GGX losing 100% control over SC44 and any future potential upside. We note that as set out in the Scheme Booklet which details the schemes of arrangement between GGX, GGX Shareholders and GGX Optionholders ("Scheme Booklet"), the management of the Merged Group is committed to prioritise and continue to fund the work programme in relation to the SC44 exploration asset;

- If the Proposed Merger is not implemented, GGX is likely to require additional capital, which may involve issuing additional GGX Shares. Share market prices of GGX may be adversely affected due to uncertainty as to future funding sources for the continuing development of GGX's exploration assets. Furthermore, future capital raising may be required to be undertaken at a material discount to the prevailing share price of GGX Shares, potentially with a dilution for

GGX Shareholders greater than any dilution implied in the Proposed Merger. Specifically, we note that in July 2009, GGX raised approximately $1 million at a discount between 20% and 25% to the prevailing share price at that point in time;

- Our valuation assessment of GGX on a stand alone basis incorporates the application of a full control premium in accordance with the requirements of RG111. If the Proposed Merger is implemented, GGX Shareholders will hold between 34.4% and 26.4% of the Merged Group on an undiluted and fully diluted basis respectively. We note, GGX representatives on the Board of Directors of the Merged Group will initially hold a greater proportion of the Board of Directors positions than GGX Shareholders collective holding in OIP following completion of the Proposed Merger. Specifically, GGX representatives will account between 25% and 50% of the board of Directors of the Merged Group given the current managing director of GGX who is also the current Chairman of OIP will be appointed on the board of the Merged Group. As set out in the Notice of Meeting, the other Directors of the Merged Group will comprise of the following:

  – one existing OIP Director;

  – one existing GGX Director; and

  – the current Managing Director of OIP.

  Based on the discussion sets out above and board representations in the Merged Group, our valuation assessment of GGX on a stand alone basis may not warrant the application of a full control premium;

- The Merged Group is expected to have higher market capitalisation and improved liquidity than GGX on a standalone basis. The increase in market capitalisation may provide the Merged Group with an improved profile in the market. This may have a positive impact on the Merged Group's share price and assist future capital raising activities to fund exploration projects;

- GGX will form part of a group which has a more diversified asset base and a strong balance sheet position which could enable the Merged Group access to debt and equity markets which were previously not available;

- GGX will gain access to more experienced management and technical personnel relating to geophysical services which it previously outsourced. GGX would be able to leverage OIP's existing in-house personnel and management which could increase day-to-day operational efficiency and as result, progress or even accelerate the development of existing exploration projects; and

- The Merged Group will rationalise certain administrative functions and overhead structure (e.g. office premises and retaining only one listing status) which is likely to result in cost saving going forward. Our valuation assessment of the Merged Group does not incorporate any cost savings in relation to the implementation of the Proposed Merger.

Disadvantages

The likely disadvantages associated with the Proposed Share Scheme include:

- GGX Shareholders will hold a minority interest in the Merged Group. GGX Shareholders' collective interest in the Merged Group will be diluted to between 34.4% and 26.4% of the voting rights on an undiluted and fully diluted basis respectively;

- GGX Shares are currently widely spread with Mr Dennis Morton being the largest shareholder with approximately 16.6% of the issued capital of GGX. If the Proposed Share Scheme is implemented Eastern Star Gas Limited ("ESG") will become the largest single shareholder of the Merged Group holding over 15% of the Merged Group's issued capital on an undiluted basis. ESG may have the capacity to block any potential takeover bid of the Merged Group should ESG consider not to be in its best interest at the expense of GGX Shareholders. However, we note that this is also the case in the current shareholders structure of GGX with Mr Dennis Morton holding approximately 16.6% of the issued capital;

- The enlarged oil and gas exploration assets portfolio of the Merged Group will increase future funding requirements in relation to exploration activities. The development of both GGX's and OIP's existing exploration assets will require continuous significant investments into the projects. In addition, given the early stages of the existing assets portfolio and the extended lead time of oil and gas exploration projects, it is likely to be a number of years before the exploration assets will generate steady, positive cash flows;

- The Scheme Booklet noted that after the implementation of the Proposed Merger, the Merged Group will have sufficient existing cash reserve to finance operations for the next twelve months after the merger. At that point in time, the Merged Group will need to source external funding to continue to fund future exploration activities and cover overheads and administrative costs;

- if the Proposed Schemes are not approved by the GGX Shareholders and GGX Optionholders, GGX (under certain circumstances) may be liable to pay a break fee of $0.1 million to OIP; and

- GGX Shareholders will share in any future oil and gas discoveries and relative value uplift in the GGX exploration assets with the existing OIP Shareholders whilst the main asset of OIP consists of cash which has limited or no upside potential. However, we note that any capital raisings by GGX to fund its exploration requirements will have a similar dilutionary effect for GGX Shareholders.

Other factors

Other factors relevant to the Proposed Share Scheme include:

- For the purposes of our calculation of the fairness, we have compared the assessed control value of GGX Shares prior to the Proposed Share Scheme with the assessed minority value of the Merged Group as if the Proposed Share Scheme proceeds in accordance with RG 111. We note that the comparison of a 'control' value and a 'minority' value has a significant impact on the fairness assessment. For illustrative purposes we note that our assessed range of control values for GGX prior the Proposed Transaction of 4.27 to 5.28 cents per shares falls within our

assessed range of control values for the Merged Group should the Proposed Share Scheme proceed of 4.37 to 5.66 cents per share. If the Proposed Merger does not proceed and GGX enters into a transaction similar to the Proposed Merger with another company with significant cash resources, we consider it unlikely that GGX shareholders would receive a control premium. Specifically, junior exploration companies have experienced significant difficulties in the last 12 to 18 months to gain access to funds to develop their assets and accordingly, in our opinion, given the limited cash resources currently available to GGX, GGX's bargaining power would be limited under these circumstances. Furthermore comparable equity placement would be undertaken at a discount to the prevailing market prices;

- If the Proposed Share Scheme is not approved, GGX will remain listed on the ASX and it would be the current directors' intention to continue operating in line with its objectives. GGX Shareholders who retain their shares will continue to share in any benefits and risks in relation to GGX's ongoing business. GGX will need to raise funding to finance its exploration activities given the current cash resource is insufficient to support GGX's exploration activities and overhead costs for the next 12 months. If GGX is unsuccessful in raising capital, it would either have to sell part of its exploration assets portfolio or, enter into farm-in arrangements with external parties for the SC44 exploration assets. Consequently, GGX would share in any potential benefits/income stream that could be derived from SC44;

- Grant Thornton Corporate Finance has not provided any taxation advice in relation to the Proposed Merger. GGX Shareholders should consider the information contained in the Scheme Booklet in relation to taxation implications;

- The directors of GGX have advised that the Proposed Merger is currently the only proposal available to GGX at the date of this report. The directors have undertaken not to solicit any competing proposals or to participate in discussions or negotiations in relation to any competing proposals in conjunction with the execution of the MIA. We believe that if an alternative proposal on better terms were to emerge, this would occur prior to the shareholders meeting convened to consider the Proposed Merger. We note that there will be a significant time-lag between the dispatching of the Scheme Booklet to GGX Shareholders and the shareholders meeting. In the event that an alternative offer on better terms emerges, shareholders will be entitled to vote against the Proposed Share Scheme; and

- If the Proposed Schemes are implemented, the dividend policy will be determined by the board of the Merged Group. However, the Merged Group does not anticipate paying a dividend for the financial year ending 30 June 2010. The Merged Group intends to review the dividend policy on an annual basis; and

- Based on the terms of the MIA, the Proposed Share Scheme and the Proposed Option Scheme are interdependent. In other words, for the Proposed Merger to be implemented, both the Proposed Share Scheme and the Proposed Option Scheme must be approved, subject to the satisfaction of other conditions stipulated in the MIA. The Proposed Merger will not proceed if only one of the proposed schemes is approved.

Based on the above likely advantages, disadvantages and other factors associated with the Proposed Share Scheme, it is our opinion that the Proposed Share Scheme is reasonable to the GGX

Shareholders. We also note that if the Proposed Share Scheme is fair to the GGX Shareholders, it is also reasonable in accordance with RG 111.

Accordingly, Grant Thornton Corporate Finance has concluded that the Proposed Share Scheme is in the best interests of the GGX Shareholders.

Proposed Option Scheme - Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Option Scheme is in the best interests of GGX Optionholders.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Proposed Option Scheme is fair and reasonable to GGX Optionholders.

Fairness of the Proposed Option Scheme

In our assessment of the fairness of the Proposed Option Scheme, we have compared the terms of GGX Options with the terms of the OIP Options to verify that the economic value of the GGX Options and the OIP Options, after adjustments to reflect the Merger Ratio are equivalent.

Set out below is a comparison of the terms of the existing GGX Options and the new OIP Options to be issued to the GGX Shareholders if the Proposed Merger is implemented.

	GGX Options	OIP Options
Number of Options	38,584,422	17,148,632
Exercise price	8 cents	18 cents
Expiry date	30 November 2010	30 November 2010

As set out above the terms of the OIP Options are identical to the terms of the GGX Options adjusted for the Merger Ratio. The number of OIP Options to be issued to GGX Shareholders and the exercise price are calculated based on the Merger Ratio, which we have assessed to be appropriate under the Proposed Share Scheme.

We note that value of an option is derived from two components comprising:

- the intrinsic value which is the difference between the exercise price of the option and the current value of the underlying instrument; and
- the time value which is the difference between the option value and the intrinsic value. Essentially, the time value reflects the probability of the option gaining intrinsic value or becoming "in the money" before the expiry date. The time value is affected by volatility, risk free rate, dividend policy and the time to expiry.

Accordingly before reaching our conclusion in relation to the Proposed Option Scheme we have analysed and compared the key value drivers of the GGX Options and OIP Options to be issued to GGX Optionholders.

Intrinsic value

In the assessment of the intrinsic value of the options we have had regard to our assessment of the fair market value of GGX prior to the Proposed Merger and of the Merged Group as set out in sections 8.8 and 10.3. We note that our assessment of GGX prior to the Proposed Merger is on a control basis. Accordingly, to calculate the intrinsic value of the GGX Options we have applied a minority discount between 25% and 15% to our assessment of GGX prior to the Proposed Merger to take into account the parcel of shares to be held by the optionholders in GGX after exercise of the GGX Options.

The level of the minority discount is consistent with the discount applied to the Merged Group following implementation of the Proposed Transaction.

Set out in the table below is a comparison between the intrinsic value of the existing GGX Options and OIP Options to be issued to GGX Option holders adjusted for the Merger Ratio.

GGX	Low cents per share	High cents per share	Mid-Point cents per share
Value to GGX Shareholders prior to the Proposed Merger (minority basis)	3.20	4.49	3.84
GGX Options exercise price	8.00	8.00	8.00
Intrinsic value	(4.80)	(3.51)	(4.16)
% difference	(60%)	(44%)	(52%)

OIP	Low cents per share	High cents per share	Mid-Point cents per share
Value of OIP after the Proposed Merger (minority basis)	7.22	10.89	9.06
Exercise price of new OIP Options	18.00	18.00	18.00
Intrinsic value	(10.78)	(7.11)	(8.94)
% difference	(60%)	(40%)	(50%)

As set out in the table above, the intrinsic value discount between the existing GGX Options and the OIP Options to be issued to GGX Option holders is consistent.

Volatility

Volatility of the underlying share price – historical and future volatility of the GGX share price and OIP share price is not expected to be materially different given the exploration assets profile of GGX and OIP and the fact that GGX current exploration assets will represent the most prospective assets in the Merged Group.

Dividend policy

Both OIP and GGX are junior exploration companies and they do not have an historical policy to distribute dividends;

In summary, we note the following:

- the exercise price and the number of options are adjusted based on the Merger Ratio which we have assessed to be appropriate under the Proposed Share Scheme;
- the intrinsic value of the GGX Options and OIP Options to be issued to GGX Shareholders is consistent;
- the expiry date of the GGX Options has not changed; and
- the volatility of the underlying shares and the dividend policy of the Merged Group and GGX prior to the Proposed Merger are expected to be consistent.

Accordingly, it is our opinion that the Proposed Option Scheme is fair to the GGX Optionholders since the economic value of the GGX Options and the OIP Options after adjustments to reflect the Merger Ratio are equivalent.

Reasonableness of the Proposed Option Scheme

For the purpose of assessing whether the Proposed Option Scheme is reasonable to the GGX Optionholders, we note that the Proposed Share Scheme and the Proposed Option Scheme are interdependent and certain factors relevant to GGX Shareholders are also applicable to GGX Optionholders for the purpose of evaluating the reasonableness of the Proposed Option Scheme.

In addition to the likely advantages and disadvantages associated with the Proposed Share Scheme, the GGX Optionholders can benefit from:

- the enhanced credit profile and balance sheet of the Merged Group as compared to that of GGX;
- the liquidity of current OIP Options is significantly greater than the liquidity of GGX Options;
- historical and future volatility of the current GGX Options and the OIP Options to be issued to GGX Optionholders is not expected to be materially different given the exploration assets profile of GGX and OIP and the fact that GGX current exploration assets will represent the most prospective assets in the Merged Group.

Based on the above and our assessment of the fairness of the Proposed Option Scheme, it is our opinion that the Proposed Option Scheme is reasonable to GGX Optionholders.

Accordingly, it is our opinion that the Proposed Option Scheme is in the best interests of the GGX Optionholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Proposed Schemes is a matter for each GGX Shareholder and/or GGX Optionholder based on their own views of value of GGX, expectations about future market conditions and GGX's performance, risk profile and investment strategy. If

GGX Shareholders and/or GGX Optionholders are in doubt about the action they should take in relation to the Proposed Merger, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

SCOTT GRIFFIN
Director

1 December 2009

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Gas2Grid Limited ("GGX" or the "Company") to provide general financial product advice in the form of an independent expert's report in relation to the proposed merger with Orion Petroleum Limited ("OIP") implemented by way of a Scheme Arrangement by GGX ("Proposed Scheme") (the "Report"). The Report is included in the Company's Scheme Booklet.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our Report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from GGX a fixed fee of $42,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of the Report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of GGX and OIP in order to provide a Report. The guidelines for independence in the preparation of independent expert's report are set out in Regulatory Guide 112 "Independence of expert" issued by the Australian Securities and Investment Commission. The information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with GGX (and associated entities) or OIP (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Scheme.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC.

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanisms and is a member of the Financial Industry Complaints Services' Complaints Handling Tribunal, No F-3986. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with the complaint can be referred to the Financial Industry Complaints Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for the Report and this FSG. Complaints or questions about the meeting in relation to the proposed schemes ("Scheme Meeting") should not be directed to Grant Thornton Corporate Finance, which is not responsible for that document. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Schemes

1.1 Proposed Merger

Gas2Grid Limited ("GGX") is an oil and gas exploration company listed on the Australian Securities Exchange ("ASX"). GGX's exploration assets are located in Australia, France and the Philippines. As at 30 November 2009, GGX had a market capitalisation of approximately $8.9 million.

Orion Petroleum Limited ("OIP") is an ASX listed company engaged in exploration of oil and gas in New South Wales, Australia. As at 30 November 2009, OIP had a market capitalisation of approximately $10.4 million.

On 15 October 2009, GGX announced that it had entered into negotiations with OIP in relation to a possible control transaction. On 5 November 2009, GGX and OIP announced that they had entered into a merger implementation agreement ("MIA") to be implemented by way of two interdependent schemes of arrangement ("Proposed Merger") to be considered and voted upon by the shareholders of GGX ("GGX Shareholders") and optionholders of GGX ("GGX Optionholders").

Specifically, the Proposed Merger is intended to be implemented by the following interdependent schemes:

- GGX Shareholders are to receive 1 share in OIP ("OIP Share") for every 2.25 shares held ("Merger Ratio") in GGX ("GGX Shares") (the "Proposed Share Scheme");

- GGX Optionholders are to receive 1 option in OIP ("OIP Option") for every 2.25 options held in GGX ("GGX Options") (the "Proposed Option Scheme" together with the Proposed Share Scheme referred to as the "Proposed Schemes").

Based on the terms of the MIA, GGX Shareholders which are domiciled in jurisdictions other than Australia and New Zealand ("Ineligible Shareholders") will not be eligible to participate in the Proposed Share Scheme. The OIP Shares to which Ineligible Shareholders would be otherwise entitled under the Proposed Share Scheme will be issued to a nominee appointed by OIP who will sell those OIP Shares and pay the net proceeds to the Ineligible Shareholders.

In accordance with the MIA, GGX and OIP have agreed to a break fee of $100,000 payable under certain circumstances as set out in the MIA and Scheme Booklet.

The directors of GGX without a conflict in the Proposed Merger have recommended that GGX Shareholders and GGX Optionholders vote for the Proposed Share Scheme and Proposed Option Scheme respectively, in the absence of a superior offer. Each director of GGX who directly and indirectly owns GGX Shares or GGX Options intends to vote in favour of the Proposed Share Scheme and Proposed Option Scheme, in the absence of a superior offer.

1.2 Conditions of the Proposed Schemes

Each of the Proposed Schemes is subject to a number of conditions precedent, including:

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- GGX Shareholders approving the Proposed Share Scheme;
- GGX Optionholders approving the Proposed Option Scheme;
- directors of GGX unanimously state that they intend to vote in favour of the Proposed Schemes, in the absence of a superior offer;
- no GGX director changes or withdraws his recommendation to GGX Shareholders and GGX Optionholders to vote in favour of the Proposed Share Scheme and Proposed Option Scheme respectively;
- court and regulatory approvals in relation to the Proposed Merger being obtained;
- no orders being made by a court, the Takeovers Panel or regulatory authority that may have a restraining impact on the implementation of the Proposed Schemes;
- no occurrence of events having a material adverse effect (as defined in the MIA) on GGX and OIP;
- warranties/representations made by GGX or OIP in the MIA are true and correct; and
- relevant OIP's shareholder approval is obtained by the second court hearing date.

1.3 Confidentiality and Exclusivity Agreement

GGX and OIP have entered into a Confidentiality and Exclusivity Agreement. Specifically, GGX has agreed, until the earlier of implementation of the Proposed Merger or 14 December 2009:

- not to facilitate or encourage third party proposals;
- not to enter into any arrangement or discussions that may reasonably be expected to lead to a third party proposal;
- not to provide any information that may assist a third party proposal;
- to advise OIP of any approach by the third party; and
- to provide the identity of the third party and details of all information provided.

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1.4 Effect of the Proposed Schemes

If the Proposed Schemes are implemented, then:

- all of the GGX Shares will be transferred to OIP and GGX will be delisted from the ASX. GGX Shareholders will receive 1 OIP Share for every 2.25 GGX Shares held;
- GGX Shareholders collectively will become minority shareholders in OIP following implementation of the Proposed Merger ("Merged Group"). The Proposed Merger will result in GGX Shareholders holding approximately 34.4% of the Merged Group on an undiluted basis or 26.4% on a fully diluted basis.
- all of the GGX Options will be transferred to OIP. GGX Optionholders will receive 1 OIP Option for every 2.25 GGX Options held;
- the board of the Merged Group will comprise:
  - one existing OIP Director;
  - one existing GGX Director;
  - current Managing Director of OIP; and
  - current Managing Director of GGX who is also the Chairman of OIP.
- the profile of the exploration assets of the Merged Group would include a larger portfolio of Australian assets;
- the Merged Group will benefit from an increased immediate exposure to planned exploration and appraisal drilling activities in NSW; and
- the Merged Group will have immediate access to funds available to pursue planned exploration activities without resorting to capital raising in a financial market that is difficult for small exploration companies. However, based on the existing cash resources, planned exploration expenses and working capital requirements, the Merged Group may be required to raise additional capital 12 months after completion of the Proposed Merger.

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2 Scope of the report

2.1 Purpose

Section 411 of the Corporations Act, 2001 (the "Corporations Act") regulates schemes of arrangement between companies and their security holders. Part 3 of Schedule 8 of the Corporations Regulations, 2001 ("Corporations Regulations") prescribes information to be sent to shareholders and creditors in relation to members' and creditors' schemes of arrangement pursuant to Section 411 of the Corporations Act.

Part 3 of Schedule 8 of the Corporations Regulations requires an independent expert's report in relation to a scheme to be prepared when a party to that scheme has a prescribed shareholding (30% or more) in the company subject to the scheme, or where the parties to the scheme have common directors. In those circumstances, the independent expert's report must state whether a scheme is in the best interests of shareholders and state reasons for that opinion.

The directors of GGX without a conflict require an independent expert's report to be prepared pursuant to Part 3 of Schedule 8 of the Corporations Regulations, as GGX and OIP have a common director, Mr Dennis James Morton. Accordingly, GGX has requested Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report to state whether:

- the Proposed Share Scheme is in the best interests of GGX Shareholders; and
- the Proposed Option Scheme is in the best interests of GGX Optionholders.

2.2 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by the Australian Securities and Investments Commission ("ASIC"), particularly ASIC Regulatory Guide 111 "Content of expert reports" ("RG 111").

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG111 implies that "*fair and reasonable*" should be taken as a reference to "*in the best interests of the members of the company*".

Pursuant to RG 111, an offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

RG 111 considers an offer to be "reasonable" if it is fair. An offer may also be reasonable if, despite not being "fair" but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

Based on the terms of the MIA, OIP will acquire 100% of GGX if the Proposed Schemes are approved. OIP Shareholders will have the majority ownership of the shares in the Merged Group,

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whilst current GGX Shareholders will retain between 34.4% and 26.4% of the Merged Group on an undiluted basis and fully diluted basis respectively. Accordingly, it is in our opinion that the Proposed Merger is a "control transaction" under RG 111. As a result, we have assessed the Proposed Schemes under the guidelines set out in RG 111, particularly those guidelines in relation to Section 640 of the Corporations Act, which are related to takeover offers. In addition, we note that if the Proposed Schemes are "fair and reasonable" under RG 111, they are also "in the best interests" of GGX Shareholders and GGX Optionholders.

In our opinion, the most appropriate basis on which to evaluate the Proposed Share Scheme is to consider whether:

- the underlying value of the consideration offered to the GGX Shareholders;
- the Merger Ratio is consistent with our valuation assessment of GGX on a controlling basis and OIP on a minority basis prior to the Proposed Merger; and
- the likely advantages and disadvantages associated with the Proposed Share Scheme.

With respect to the Proposed Option Scheme, we have compared the terms of GGX Options with the terms of the OIP Options. Accordingly, we have considered:

- whether the terms and conditions of the OIP Options are comparable or equivalent to those of the GGX Options;
- whether the Merger Ratio of GGX Options is consistent with the Merger Ratio of GGX Shares, which we will consider as part of the assessment of the Proposed Share Scheme; and
- the likely advantages and disadvantages associated with the Proposed Option Scheme.

For the purpose of this report, an independent technical specialist, Mulready Consulting Services Pty Ltd ("MCS"), was engaged to review the technical information provided by GGX and OIP and to provide current fair market valuation assessments in relation to the exploration assets owned by GGX and OIP. The report prepared by MCS ("MCS Report") is included as Appendix B to this report and was prepared in accordance with the VALMIN Code.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance had considered its independence with respect to the Proposed Merger with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Report" ("RG 112").

Grant Thornton Corporate Finance is independent of GGX and its Directors and all other relevant parties to the Proposed Merger. Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Schemes other than that of an independent expert.

Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report. Except for

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this fee, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or any other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Merger.

2.4 Consent and other matters

Our report is to be read in conjunction with the Scheme Booklet dated 1 December 2009 in which a copy of this report is included, and is prepared for the exclusive purpose of assisting the GGX Shareholders and Optionholders in their consideration of the Proposed Share Scheme and Proposed Option Schemes respectively.

This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to this report to be included in the Scheme Booklet.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Share Scheme to the GGX Shareholders as a whole and the Proposed Option Scheme to the GGX Optionholders as a whole. We have not considered the potential impact of the Proposed Schemes on individual security holders. Individual security holders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Schemes on individuals.

The decision as to whether or not to approve the Proposed Schemes is a matter for each security holder of GGX based on their own views of the value of GGX and expectations about future market conditions, GGX's performance, risk profile and investment strategy. If security holders are in doubt about the action they should take in relation to the Proposed Schemes, they should seek their own professional advice.

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3 Industry overview

GGX and OIP are involved in the exploration of both crude oil and conventional gas. OIP also holds interests in coal seam gas ("CSG") projects through its joint venture with Eastern Star Gas Ltd ("ESG"). We have summarised the oil and CSG industries below.

3.1 Oil industry

The international oil industry includes the global processes of exploration, extraction, refining, transporting, and marketing of petroleum products. The major products of the industry are petrol and diesel. Oil is also a key raw material for many chemical products including pharmaceuticals, solvents, fertilizers, pesticides and plastics.

The following table summarises oil usage as a proportion of total energy consumption throughout the world:

Oil usage as a percentage of total energy consumption	
Africa	41%
Asia	32%
Europe	32%
Middle East	53%
North America	40%
South and Central America	44%

Source: Energy Information Administration ("EIA")

The world consumed approximately 30.6 billion barrels of oil in 2008, with developed nations being the largest consumers. The US consumed approximately 24% of the total worldwide oil produced in 2008.

The production, distribution, refining, and retailing of oil taken as a whole represents the world's largest industry in terms of dollar value.

3.1.1 Oil demand

The demand for petroleum products, and consequently crude oil, is dependent on the level of economic activity and real gross domestic product in particular. The level of real gross domestic product can explain just under 90% of the demand for petrol.

Oil demand from the transportation sector, in particular road and air transportation, accounts for the majority of the total consumption of petroleum products.

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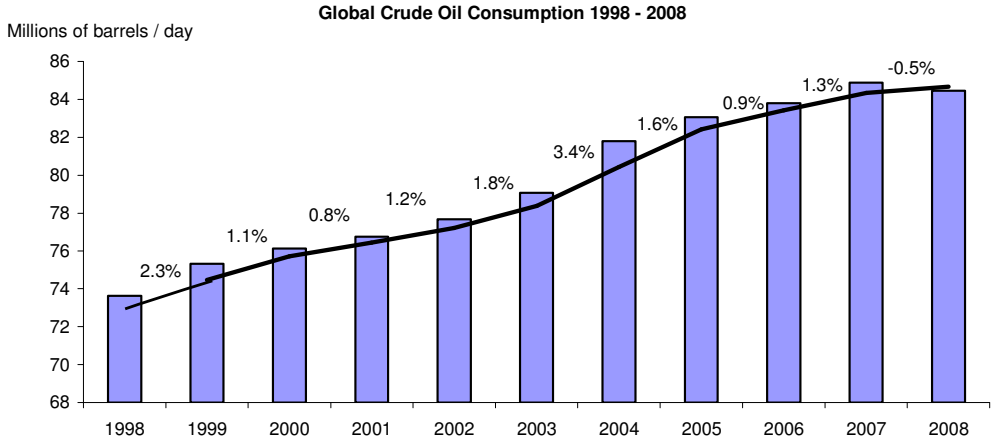
Set out below is the global crude oil consumption between 1998 and 2008:



Source: BP Statistical review of World Energy June 2009

Demand for oil gradually increased in recent years with a compounded average growth rate ("CAGR") of approximately 1.3% for the period between 1998 and 2008 in conjunction with strong global economic growth. World oil consumption decreased in the second half of 2008 as a result of the global financial crisis.

The increase of oil consumption in the Asian region especially was significant during the last ten years, in particular China and India.

3.1.2 Oil supply

The world's crude oil supply consists of two primary sources, namely the state owned producers located in countries which are members of the Organisation of Petroleum Exporting Countries ("OPEC") and the privately owned producers located in non-OPEC countries.

As at December 2008, global proven oil reserves (1P reserve) are estimated at 1,258 billion barrels. OPEC countries hold approximately 76% of the world's crude oil reserves with the production accounting for approximately 45% of the world oil supply due to the restrictions on the oil production quota imposed by OPEC on its member countries.

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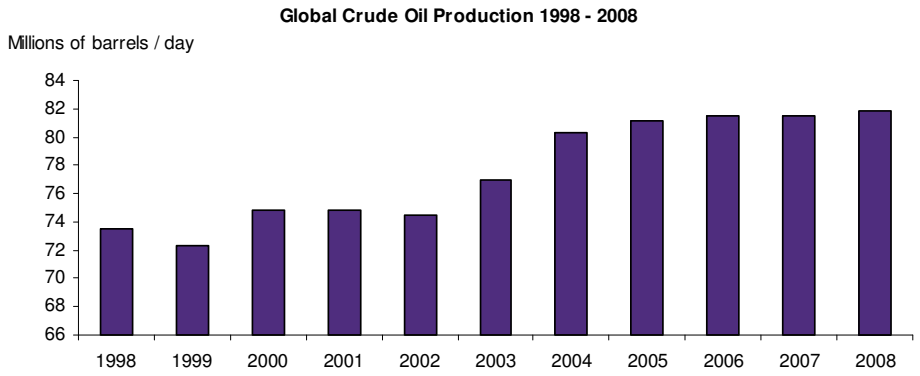
Set out below are 1P reserves by production region as at December 2008:

Proven Oil Reserves by Region, as at December 2008

Region	Billion Barrels	% Share
Middle East	754.1	60%
Europe & Asia	142.2	11%
Africa	125.6	10%
South and Central America	123.2	10%
North America	70.9	6%
Asia Pacific	42.0	3%
Total	1,258.0	100%

Source: BP Statistical review of World Energy June 2009

As at December 2008, Australia accounts for 4.2 billion barrels, or 0.3% of proven global oil reserves. Set out below is the historical crude oil production between 1998 and 2008:



Source: BP Statistical review of World Energy June 2009

Global oil production fell by 0.2% in 2007, the first decline since 2002. OPEC members reduced their production by 350,000 barrels per day ("bpd") due to production cuts implemented in November 2006 and February 2007. Global oil production increased by 0.4% in 2008, with the production from OPEC members increasing by 2.7% and non-OPEC members decreasing by 1.4%. In 2008, Australia produced 556,000 barrels of oil per day.

3.1.3 Oil price

Crude oil is one of the most actively traded commodities with different grades of oil attracting different prices depending on the level of demand and supply. The quality of crude oil is primarily determined by its hydrocarbon content, density and the sulphur content. Heavy crude oil is generally used to make products such as tar and bitumen and is generally priced less than light crude oil, which is used to produce automotive gasoline and other refined products.

Crude oil can be traded on the spot market, future market and via contractual arrangements. There are over 150 different types of internationally traded crude oil (known as markers). Crude oil is

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generally priced against a number of key markers ("marker crude"). The main requirement for a marker crude is that it is sold in sufficient volumes to provide liquidity in the physical market.

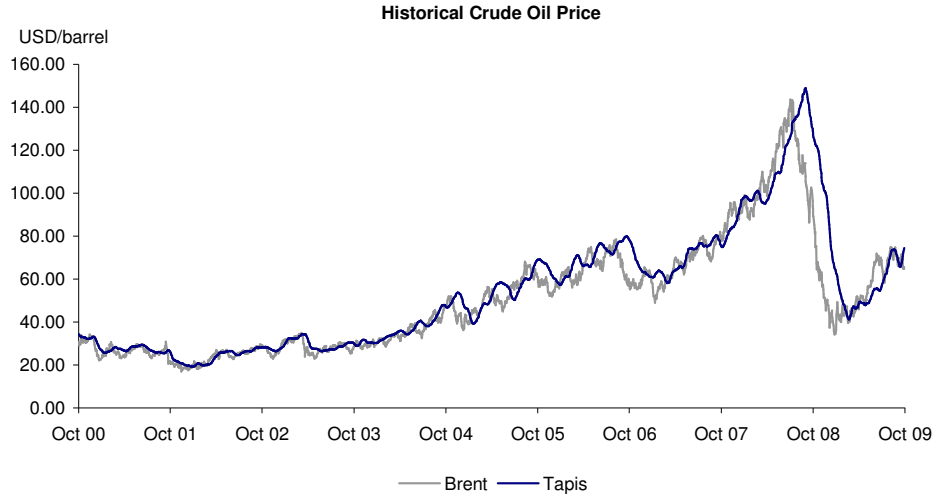
The primary marker crudes used today include:

- West Texas Intermediate ("WTI") – WTI is traded on a spot and futures basis on the New York Metals Exchange ("NYMEX"). WTI is a light crude oil with high quality and is excellent for refineries. It is an ideal crude oil to be refined in the US;

- Brent – Brent offers pricing information based on the physical spot trading of oil produced in the North Sea; and

- Tapis Asia Pacific Pricing Index ("APPI") – The price is determined by an independent panel where producers, refiners and traders are asked for information on actual trades and their best estimates. Any estimates that are widely high or low are discarded and the average quoted price is the market price for Tapis APPI.

The price of physical oil trades is based on a marker crude with adjustments for quality and supply and demand factors. Set out below is the historical daily closing price for Brent and Tapis crude oil benchmark over the period between 2000 and 2009:



Source: Reuters

Overall, the changes in Brent and Tapis APPI oil benchmarks are highly correlated.

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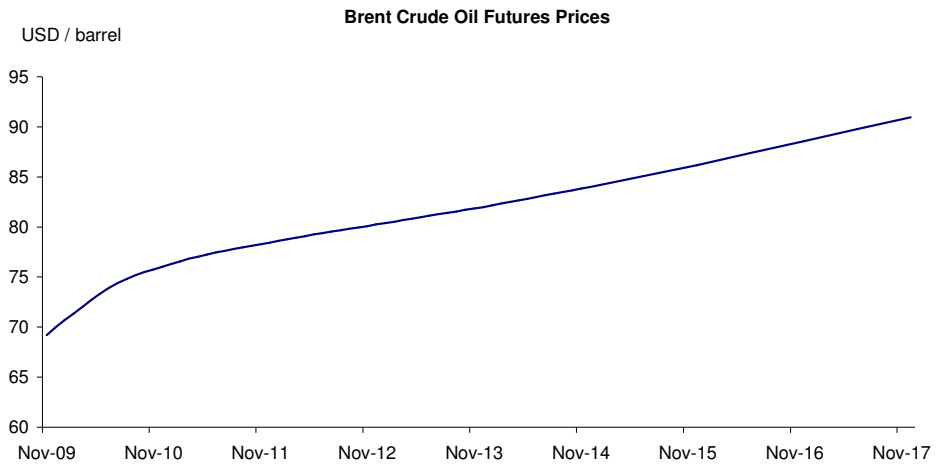
Set out below are the nominal future prices for Brent crude oil quoted on the NYMEX as at 30 September 2009:

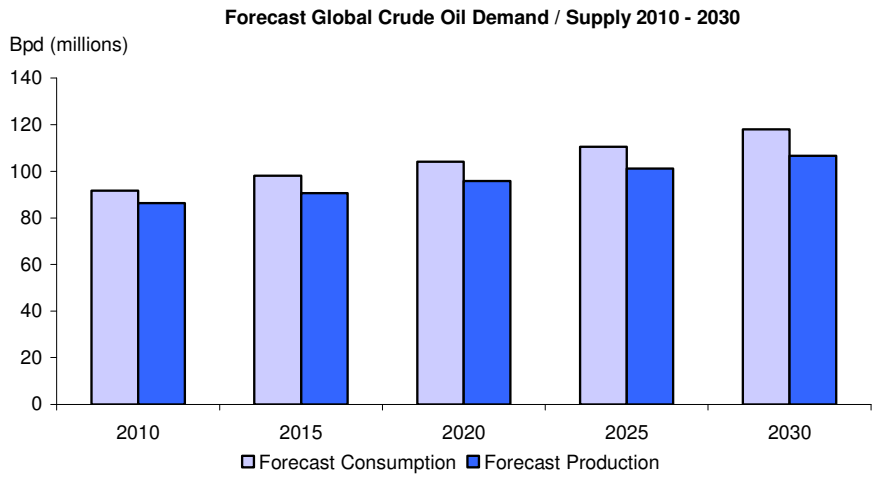


Source: Reuters

Crude oil prices are expected to increase as global economic conditions begin to improve, lifting demand for oil. The global financial crisis and declining oil prices in the second half of 2008 led to a lack of investment, this is expected to persist into 2010 and will constrain future supply.

3.1.4 Outlook

Set out below is the forecast supply and demand of crude oil according to the Energy Information Administration ("EIA") forecasts:



Source: EIA

We note the following with regards to the above graph:

- consumption is forecast to outstrip production over the forecast period;

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- global oil demand is forecast to increase at a CAGR of 1.3% per year in the period from 2010 to 2030. Global oil demand is forecast to increase from 85 million bpd in 2006 to 107 million bpd in 2030 as a result of growing demand for crude oil from transportation and industrial activities; and

- the EIA forecasts crude oil prices to rise in the period from 2010 to 2030 and producers are forecast to ramp up production to take advantage of higher prices. Increase in supply is also expected to come from countries with recent discoveries, such as Kazakhstan, Brazil and Canada.

3.2 Coal seam gas industry

CSG is a naturally occurring odourless and colourless gas used for both domestic and commercial usage as well as for electricity generation. Coal seam gas when used to produce electricity is an environmentally friendlier energy source that emits approximately 50% less greenhouse gas compared to conventional coal fired electricity generation.

CSG is formed as a by-product during the natural process of "coalification" whereby organic matter is turned into coal. The methane formed is trapped in the structure of the coal molecules due to the fact that coal has a large and complex internal surface area that is able to attract and hold the methane molecules. The amount of methane that can be trapped in the coal is dependent on the organic constituents of the coal, the hydrostatic pressure and temperature.

The principal differences in physical characteristics between CSG and conventional natural gas ("natural gas") include:

- CSG deposits are closer to the surface in comparison to natural gas which reduces unit production costs relative to natural gas;

- the pressure at which CSG is produced (300 to 500 kPa) and the daily output of a CSG well (0.25 to 0.5 TJ/day) are substantially lower than those of conventional natural gas (being pressure at 7,000 to 15,000 kPa and output at 10 to 20 TJ/day). As a result, CSG development will require more wells and more extensive gas gathering and compression systems to be installed, in order to extract equivalent quantities to those that would be extracted from a natural gas field development; and

- in most occurrences, CSG has a higher methane content and lower levels of impurities in comparison to natural gas (95% versus 90%), which reduces the complexity of the processing required of CSG relative to conventional natural gas.

3.2.1 Demand Determinants

Demand drivers for CSG include the following:

- market confidence – the demand for CSG is related to the level of confidence that wholesalers and retailers have in CSG as a resource. During the 1990s, wholesalers and retailers were reluctant to enter into long term supply contracts with CSG producers, due to concerns over matters such as the security of supply and the environment. With the entry of larger and more

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sophisticated energy participants into the CSG market, more supply contracts are being signed reflecting an increase in market confidence;

- new users – growth in demand for natural gas overall is expected to be driven by the emergence of new users. Industry analysts expect demand for natural gas to increase through increased industrial use of gas (in particular in chemical and mineral processing, petrochemical operations and mining), as well as the increasing acceptance of using gas for power generation;

- environmental issues – CSG is a relatively clean burning gas, therefore with global shifts in attitude towards the environment through agreements such as the Kyoto Protocol, demand for CSG is anticipated to increase. However, there remains certain concerns regarding the environmental impact of CSG extraction, particularly relating to the waste water produced, which may hinder demand for CSG;

- distribution network – CSG is transferred to end users via pipelines, and so demand for a particular reserve is dependent on the accessibility of pipelines;

- government policy – government policy towards the environment and CSG will have an important influence on demand for CSG. For example, the Queensland Government has introduced a comprehensive regime aimed at regulating the coal seam exploration and production industry, a move which will increase confidence in the industry and likely increase demand; and

- relative price of substitutes – consumers who in particular use gas for industrial applications and electricity generation will shift their demand given changes in the price of substitutes.

3.2.2 CSG supply

Australia produced 143 billion cubic feet ("Bcf") of CSG in the year ended 31 December 2008, an increase of 39% compared to the prior year. Australia's major CSG producing state was Queensland which accounted for approximately 96% of production in 2008, whilst New South Wales accounted for the remaining 4%. The largest CSG producing projects in Australia are:

Project	State	Operator	Proportion of total Australian output
Spring Gully	Queensland	Origin Energy Limited	25%
Fairview	Queensland	Santos Limited	17%
Berwyndale South	Queensland	QGC Limited	14%
Moranbah	Queensland	Arrow Energy Limited	13%
			69%

Source: Australian Petroleum Production & Exploration Association Limited Annual Production Statistics

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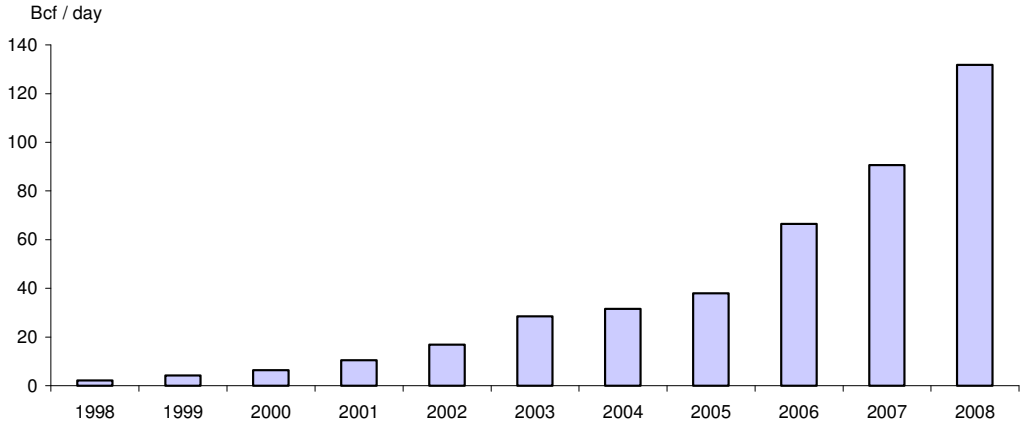
The following graph displays historical production of CSG in Queensland, which produces approximately 96% of Australia's CSG total production:



Source: Queensland Government August 2009 Industry Update

The exploration phase for CSG is characterised by sunk costs and a relatively high probability with low volumes[2]. The costs incurred during the exploration phase arise from surveying and drilling activities that are carried out to identify the presence of resources and to estimate the size of the reserves where resources have been identified[3].

Given the cost and risk characteristics, the exploration phase tends to be undertaken through joint venture arrangements, which enable both the risks and costs to be shared across the consortia[4].

In most occurrences it is necessary to dewater the seams before the gas desorbs from the coal. Pumps are typically installed in the well bore or below the coal bed, and both the water and coal seam gas are brought to the surface. Coal seam wells are quicker and cheaper to drill and complete than conventional natural gas wells, as they are shallower and only require the use of truck mounted drilling rigs.

[2] Industry Commission, Study into the Australian Gas Industry and Markets, 6 March 1995.
[3] NERA Economic Consulting, The Gas Supply Chain in Eastern Australia, June 2007.
[4] Productivity Commission, Review of the Gas Access Regime, August 2004.

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The production phase is also characterised by sunk and ongoing fixed costs in relation to drilling wells and installing the extraction technology, gas transport infrastructure and processing facilities. Given the physical characteristics of CSG, CSG fields have tended to be developed on an incremental basis and as a consequence the up front capital investment for a CSG development will generally be lower than that required to bring a conventional natural gas development on stream[5].

Exploration and production of CSG are governed by the respective Petroleum Exploration Licence ("PEL") and Petroleum Production Lease ("PPL"). In general, a PEL provides the holder the right to explore CSG in a predefined area. However, it does not provide the holder the right to extract CSG. A PPL is required for the extraction or production of CSG.

3.2.3 CSG reserves

As at 30 June 2008, Eastern Australia had proven and probable CSG reserves of approximately 12.2 trillion cubic feet[6]. This represents more than a 50% increase in reserves held compared to 30 June 2007. Set out in the graph below is a break down of total Eastern Australian CSG reserves by Basin:

Basin	State	Reserves	Proportion
		BCF	
Bowen	QLD	6,100	50.0%
Surat	NSW and QLD	5,439	44.6%
Clarence-Moreton	NSW and QLD	234	1.9%
Gunnedah	NSW	175	1.4%
Gloucester	NSW	173	1.4%
Sydney	NSW	79	0.6%
		12,200	

Source: RLMS Presentation, 15 September 2008

3.2.4 CSG price

Due to the similar composition of CSG and conventional natural gas, CSG pricing is very closely linked to that of conventional natural gas. Natural gas is generally supplied to the Australian market through individual long-term and highly customised contracts in which the price of the gas is determined between the exploration and production companies and buyers (distribution companies or end-users) through negotiation.

The Australian Petroleum Production & Exploration Association has indicated that approximately 95% of the natural gas market is supplied under long-term contracts. The dominance of long-term contracts largely reflects the tendency of producers to underwrite the significant capital investment required at the commencement of the field's life with long-term foundation contracts.

[5] M. Kimber and A. Moran, Coal Sean methane in the 21st Century, December 2004.
[6] RLMS Presentation, 15 September 2008.

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The typical terms and conditions of the contract include:

- the flexibility of the supply commitment;
- the annual contract quantities;
- the take or pay requirements that specify the minimum proportion of the annual contract quantities that must be paid for in any year; and
- the price escalation and price review clauses.

The agreed price of the contract generally reflects:

- the values and costs the parties attributable to the terms and conditions of supply;
- the specific demand and supply circumstances faced by the buyer and the producer at their respective locations; and
- the perceptions held about the future demand and supply conditions at the time the price was agreed[7].

Furthermore, the prices are affected by local demand and supply conditions, including:

- the location of reserves relative to the end market;
- the cost of transporting gas to the end location via the relevant transmission pipeline;
- the presence of transportation constraints on the relevant transmission pipeline;
- the number of competing sources of supply and the relative cost of transportation from these competing sources;
- the scope and price of alternative energy sources;
- the value of gas to the end user; and
- the perceptions held about the future demand and supply conditions that will prevail in that jurisdiction over the period that the price is being set.

[7] NERA Economic Consulting, The Gas Supply Chain in Eastern Australia, June 2007.

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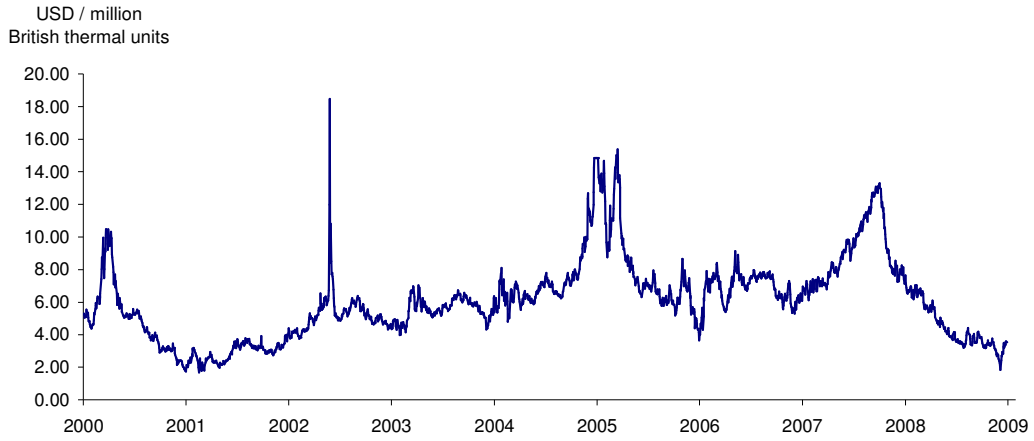
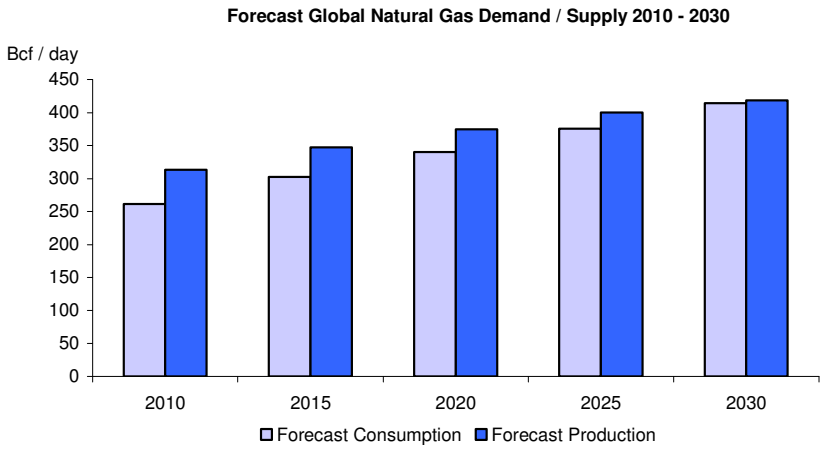
Set out below is the historical Henry Hub[8] natural gas price:



Source: Reuters

3.2.5 Outlook

The CSG industry is driven by the increase in demand of natural gas. Set out below is the forecast supply and demand of natural gas as per EIA forecasts:



Source: EIA

We note the following with regards to the above graph:

- the excess of supply over demand is forecast to decrease from 52 bcf per day in 2010 to 4 bcf per day in 2030 due to increasing demand from non Organisation for Economic Co-operating and Development ("OECD") countries, in particular India and China, which are forecast to account for 31% of the increase in natural gas consumption between 2006 and 2030;

[8] The Henry Hub interconnects nine interstate and four intrastate pipelines. Collectively, these pipelines provide access to markets in the Midwest, Northeast, Southeast, and Gulf Coast regions of the United States. The Henry Hub is the largest centralized point for natural gas spot and futures trading in the United States. The New York Mercantile Exchange (NYMEX) uses the Henry Hub as the point of delivery for its natural gas futures contract.

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- the world's natural gas production is expected to increase by 48 trillion cubic feet between 2006 and 2030 in order to meet the projected demand. Natural gas production from OECD countries is forecast to increase at an average of 0.8% per annum whilst production in non-OECD countries is expected to increase at an average of 2.1% per year. The Middle East region is forecast to have the largest proportion of the increased production; and

- production of natural gas in Australia is expected to rise. A number of gas fields are planned for development, with the bulk of production being destined for export. Large projects include Chevron Corporation's Gorgon project and Woodside Petroleum Limited's Pluto project, both of which are located off the North West coast of Australia.

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4 Overview of GGX

4.1 Company overview

GGX is a Sydney based oil and gas exploration company which was listed on the ASX in May 2005. The Company was initially formed to appraise a gas and oil discovery onshore Cebu Island in the Republic of the Philippines (the "Philippines").

4.2 Exploration assets

GGX's exploration assets are located in Australia, France and the Philippines. A brief overview on these exploration assets is detailed below. Refer to the technical specialist report set out in Appendix B for more information.

4.2.1 Australia

EP 453 is located in the Canning Basin of Western Australia and covers an area of 5,799 square kilometres. GGX acquired 100% of this asset in March 2008 issuing 6 million fully paid GGX Shares at $0.06 per share. The implied purchase consideration paid by GGX was $360,000. This licence is a prospect for both oil and gas reserves. GGX is committed to future spending of $300,000 comprising seismic spending in 2009 and $100,000 for technical studies in 2010. It is noted that no commercial discoveries have been made within the onshore Canning Basin within the last 20 years.

GGX has reprocessed all seismic data acquired from the Western Australian government over prospects in this licence area and is currently interpreting this data for target drilling prospects. GGX has not yet commenced any drilling activities within this licence.

The MCS Report values this asset between $1.26 million and $2.25 million.

4.2.2 France

The St. Griede licence was awarded to GGX in a joint venture with Gippsland Offshore Petroleum Limited in April 2008 with each party holding a 50% stake in the licence. GGX is the operator of this joint venture. The licence covers an area of 1,238 square kilometres and is located within the Aquitaine basin, northeast of the city of Pau in the southwest of France. The licence was awarded for a five year term and has a total commitment of EU4,351,300.

The Aquitaine basin is a province with a history of hydrocarbon discovery and production. Over 13,000 trillion cubic feet of gas and 450 million barrels of oil have been discovered within the basin. The area has well developed markets and infrastructure for a commercial discovery. Gas prices in Europe are 3 to 4 times those on the East Coast of Australia. There has been no activity within the area covered by this licence in ten years.

GGX recently awarded a contract to Bell Geospace Limited to acquire an aero-gravity survey of the area. This is to be followed by a 400 kilometre seismic survey in 2010-2011 and the drilling of a well in 2011-2013. MCS has valued GGX's interest in this asset at $3.5 million.

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4.2.3 Philippines

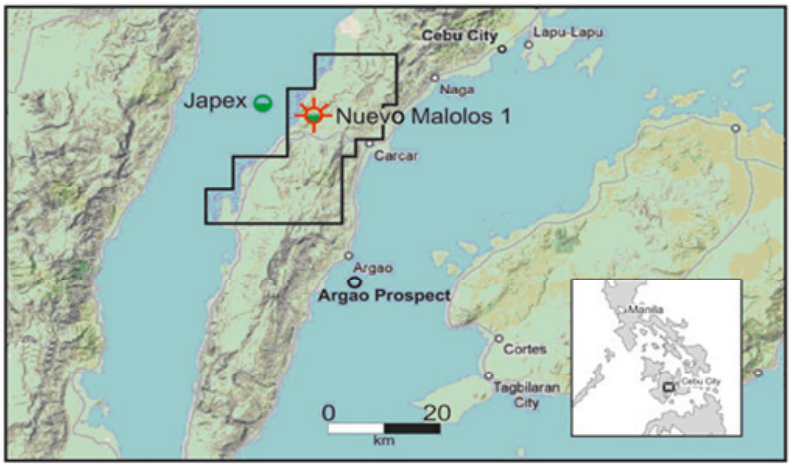
GGX has entered and tested an oil and gas discovery well within the Service Contract 44 area ("SC44"). SC44 covers an area of 1,000 square kilometres on Cebu Island and was issued to GGX in January 2004 with a seven year term. GGX holds a 100% stake in this licence. Revised contract terms were agreed in relation to completion of planned well workovers by the end of June 2009 and 100 kilometres of new seismic data to be completed by the end of December 2009. However, the well workover program has been delayed and is expected to commence in December 2009.

The region within which SC44 is located was the subject of drilling up until the mid 1970's. Historical drilling in the 1960's of the Malolos-1 well reported gas flow rates of up to 12 million cubic feet per day.

GGX has continued with technical studies and planning for the remediation of sandstone reservoirs in the Nuevo Malolos-1 well. Drilling of this well intersected sandstone, and is interpreted to contain both oil and gas. It is likely that the sandstone in the Nuevo Malolos-1 wells were damaged as a result of drilling and thus only a small amount of hydrocarbons have been recovered. The workover program of the Malolos-1 and Nuevo Malolos-1 wells has been slightly delayed due to the availability of equipment and services, and the effects of a typhoon. The revised program aims to commence the workover by December 2009.

GGX is planning for the 100 kilometre seismic acquisition program to be conducted in early 2010 in relation to further leads within the SC44 area. A GPS survey of the roads and tracks within the SC44 area was completed in late 2009. Two to three exploration wells are planned for the second half of 2010. MCS' optimal value of this asset is at $5.5 million.

The following map illustrates GGX's exploration assets located in the Philippines:



Source: GGX 2009 Annual Report

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4.3 Financial information

4.3.1 Income Statement

GGX Income Statement (AUD)	FY07 Audited	FY08 Audited	FY09 Audited
Revenue from continuing operations	18,458	129,564	16,763
Other income	1,887	-	-
Impairment of deferred exploration expenditure	-	-	(2,185,983)
Administration expense	(106,138)	(244,898)	(297,451)
Consultancy fees	-	(32,488)	-
Employee benefits expense	(85,000)	(91,250)	(94,407)
Depreciation and amortisation	(861)	(687)	(1,191)
Other expenses	(123,504)	(188,547)	(248,297)
Loss before income tax	(295,158)	(428,306)	(2,810,566)
Income tax expense	(27,324)	(4,128)	(14,151)
Net loss after income tax	(322,482)	(432,434)	(2,824,717)

Source: GGX Annual Reports

We note the following in regards to the consolidated income statements set out above:

Year ended 30 June 2007

- revenue consists of interest income;
- other income consists of foreign exchange gains;
- other expenses consist of auditors remuneration, insurance costs, rental expenses, travel expenses and other miscellaneous expenses.

Year ended 30 June 2008

- revenue for FY08 increased to approximately $129,500 compared to approximately $18,500 in FY07 as a result of the interest income earned from the fixed deposits on cash balances. We note that the opening cash balance for the year was approximately $2.0 million; and
- other expenses increased by 53% compared to the prior year as a result of increased auditor, rental, travel and other expenses.

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Year ended 30 June 2009

- revenue decreased by 87% compared to the prior year as a result of reduced average cash balance;
- impairment of deferred exploration expenditure relates to written-off expenditure with regards to GGX's joint venture with Greengate on Petroleum Exploration Permit ("PEP") 38260. Drilling activities in this area have been unsuccessful and GGX has resolved to abandon this license; and
- other expenses increased by 32% compared to the prior year as a result of increased rental, travel and other expenses.

4.3.2 Balance sheet

GGX Balance Sheet (AUD)	As at 30-Jun-07 Audited	As at 30-Jun-08 Audited	As at 30-Jun-09 Audited
Current Assets			
Cash and cash equivalents	2,094,158	758,450	784,256
Trade receivables	11,722	205,406	131,891
Other financial assets	2,592	2,366	2,600
	2,108,472	966,222	918,747
Non-Current Assets			
Exploration and evaluation assets	5,152,076	7,098,049	6,018,178
Property, plant and equipment	1,914	1,227	2,561
	5,153,990	7,099,276	6,020,739
Total Assets	7,262,462	8,065,498	6,939,486
Current Liabilities			
Payables	1,518,064	580,690	337,557
	1,518,064	580,690	337,557
Non-Current Liabilities			
Trade and other payables	257,500	266,250	188,750
Deferred tax liabilities	1,761,940	1,351,812	1,607,320
	2,019,440	1,618,062	1,796,070
Total Liabilities	3,537,504	2,198,752	2,133,627
Net Assets	3,724,958	5,866,746	4,805,859
Equity			
Share capital	6,757,617	9,507,042	10,716,532
Reserves	(623,282)	(798,485)	(244,144)
Accumulated losses	(2,409,377)	(2,841,811)	(5,666,529)
	3,724,958	5,866,746	4,805,859

Source: GGX Annual Reports

We note the following in relation to the balance sheets of GGX:

- cash and cash equivalents consists of cash at bank and in hand;

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- trade receivables relates to GST receivables and prepayments;
- other financial assets consists of Philippines treasury bills;
- exploration and evaluation assets relate to exploration expenditure and rights capitalised at cost, net of impairment written off; and
- deferred tax liabilities relate to temporary differences in the recognition of exploration expenditure.

4.4 Capital Structure

As at the date of this report, GGX has on issue the following securities:

- 183,059,332 GGX Shares; and
- 38,584,422 listed GGX Options.

4.4.1 GGX Shares

The top 10 shareholders of GGX as at 16 November 2009 are set out below:

Shareholder	No of shares	% of issued shares
Budside Pty Ltd <Employees Superannuation Fund>	22,468,132	12.7%
Mr David Munns	13,423,600	7.6%
Darren Wesley Reeder	10,000,000	5.6%
Seistend Pty Limited	8,363,788	4.7%
Octanex NL	6,140,000	3.5%
Gascorp Australia Pty Ltd	6,000,000	3.4%
Parkes Holdings Pty Ltd	5,000,000	2.8%
Budside Pty Ltd <Employees Super Fund A/C>	3,540,000	2.0%
Pobelo Super Pty Ltd	3,370,000	1.9%
Discovery Investments Pty Ltd	3,249,866	1.8%
Total Top Ten Shareholders	81,555,386	46.0%
Other Shareholders	95,664,102	54.0%
Total	177,219,488	100.0%

Source: GGX

4.4.2 GGX Options

All GGX Options are exercisable at 8 cents with an expiry date of 30 November 2010.

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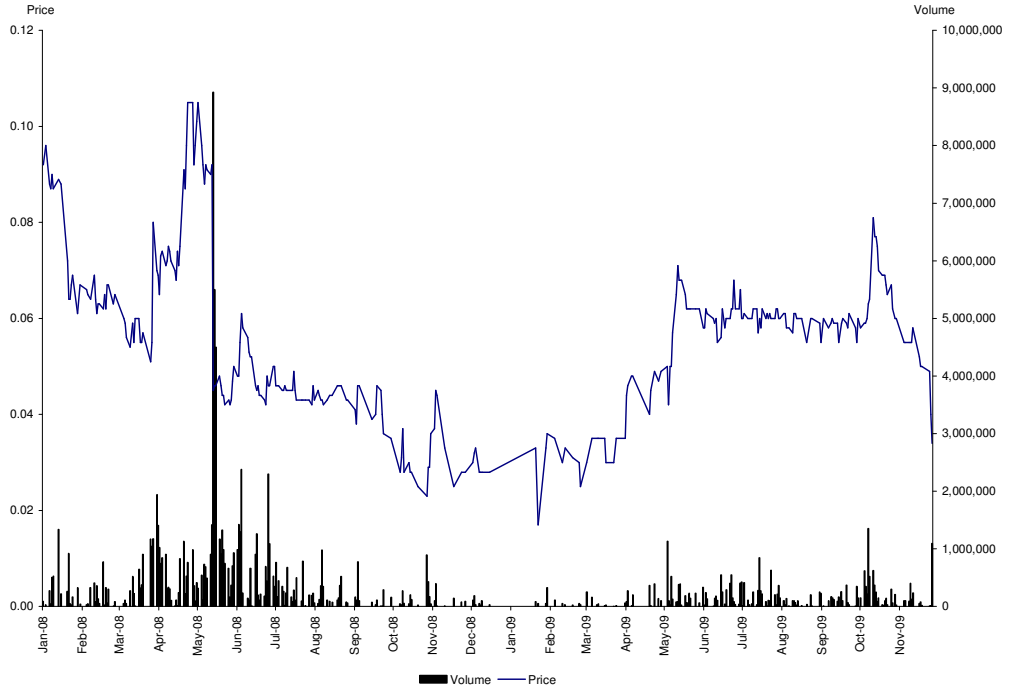
The top 10 optionholders of GGX as at 16 November 2009 are set out below:

Optionholder	No of options	% of issued options
Budside Pty Ltd <Employees Superannuation Fund>	11,000,000	28.5%
Mr David Munns	6,711,800	17.4%
Mr Dennis Morton	4,234,066	11.0%
Seistend Pty Limited <DWK Super Fund A/C>	3,164,933	8.2%
Parkes Holdings Pty Ltd	2,500,000	6.5%
Budside Pty Ltd <Employees Superannuation A/C>	1,770,000	4.6%
Discovery Investments Pty ltd	1,624,933	4.2%
Parkes Holdings Pty Ltd	1,000,000	2.6%
W R Mobbs Superannuation Pty Ltd	1,000,000	2.6%
Custodial Services Limited <Beneficiaries A/C>	777,000	2.0%
Total Top Ten Optionholders	33,782,732	87.56%
Other Optionholders	4,801,690	12.4%
Total	38,584,422	100.0%

Source: GGX

4.5 Share price performance

The daily share price movements in GGX's share price and volumes for the period from 1 January 2008 to 29 November 2009 is set out below:



Source: Reuters

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We note the following with regard to the share price history shown above:

Date	Comments
28 March 2008	GGX announced the acquisition of a 100% interest in the EP 453 operation in the Canning basin, Western Australia. The EP 453 area contains prospective oil and gas reservoirs. The share price closed at $0.08.
2 May 2008	GGX announced that drilling at the Kate-1 well located in the Canterbury basin of New Zealand will commence in the following week. The share price closed at $0.105.
19 May 2008	GGX announced that the Kate-1 well in the Canterbury basin of New Zealand has been drilled to a depth of 1,112 metres, with no indication of hydrocarbons. The well has been plugged and abandoned. The share price closed at $0.048.
25 June 2008	GGX announced that together with joint venture partner Gippsland Offshore Petroleum (50% holding each), they have been awarded an oil and gas exploration permit in the Aquitaine Basin in France. The permit covers an area of 1,238 square kilometres. The share price closed at $0.048.
7 November 2008	GGX released its rights issue prospectus. Under the offer, rights are issued on a 1:1 basis and allow holders to purchase 1 new share plus a new option for every GGX share held. The cost of a new share is $0.03, with no additional cost for the new option. The share price closed at $0.033.
30 January 2009	GGX released its quarterly activities report and announced the results of its rights issue, which raised approximately $1.3 million. The share price closed at $0.036.
16 March 2009	GGX released its half yearly report for the period ending 31 December 2008. GGX recorded a loss of ($2,341,641) compared to a loss of ($206,336) in the prior corresponding period. The share price closed at $0.035.
29 April 2009	GGX released its quarterly activities report for the period ending 31 March 2009. GGX announced various activities including continuing technical studies in the Philippines, and the Company's intentions to withdraw from the New Zealand PEP 38260 licence. The share price closed at $0.049.
7 July 2009	GGX announced that it had successfully raised $1,065,750 via the placement of 21,315,000 new GGX shares at an issue price of 5 cents per share. The share price closed at $0.06.
30 September 2009	GGX released its annual report for the year ended 30 June 2009 and recorded a loss for the year of ($2,824,717) compared to a loss in the prior corresponding period of ($432,434). The share price closed at $0.06.
6 October 2009	GGX released a company update. Items of mention include completion of a GPS survey in the Philippines, and the awarding of the Aero-Gravity survey contract in France to Aberdeen based Bell Geospace. The share price closed at $0.059.
15 October 2009	GGX announced negotiations with OIP in relation to a possible change in control transaction. Negotiations are at a preliminary stage and current pricing is estimated at 1 OIP share for every 2.25 GGX Shares. The share price closed at $0.075.
29 October 2009	GGX released its quarterly activities report for the period ending 30 September 2009. GGX announced various activities including the delay of the workover program in the Philippines and the variation of licence terms in Western Australia. The share price closed at $0.06.
5 November 2009	GGX announced that they had entered into the MIA with OIP. The share price closed at $0.055.

Source: ASX Announcements

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The share price history and trading in GGX Shares on the ASX since 1 January 2009 is set out below:

Share price performance of GGX	High (A$)	Low (A$)	Close (A$)	Average weekly volume
Month ended				
January 2009	0.036	0.017	0.036	631,165
February 2009	0.035	0.025	0.025	247,500
March 2009	0.035	0.030	0.035	339,998
April 2009	0.051	0.035	0.049	819,869
May 2009	0.072	0.042	0.062	1,131,306
June 2009	0.068	0.054	0.066	1,042,165
July 2009	0.067	0.056	0.060	1,098,221
August 2009	0.061	0.055	0.059	422,675
September 2009	0.061	0.053	0.060	737,943
October 2009	0.085	0.055	0.060	1,401,471
1 November 2009 to 29 November 2009	0.058	0.034	0.034	966,509
Week ended				
25 Sep 2009	0.061	0.058	0.061	774,888
2 Oct 2009	0.060	0.055	0.058	822,553
9 Oct 2009	0.064	0.057	0.064	3,052,710
16 Oct 2009	0.085	0.070	0.070	1,487,500
23 Oct 2009	0.069	0.065	0.065	322,700
30 Oct 2009	0.067	0.060	0.060	951,345
6 Nov 2009	0.055	0.055	0.055	500,000
13 Nov 2009	0.058	0.053	0.058	1,074,431
20 Nov 2009	0.052	0.050	0.050	250,000
27 Nov 2009	0.049	0.034	0.034	1,850,128

Source: Reuters

4.6 GGX Option price performance

GGX Options has not traded since they were listed and as such, no price or volume information is available.

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5 Overview of OIP

5.1 Company overview

OIP is an oil and gas exploration company with a focus on northern New South Wales. OIP was listed on the ASX on 12 December 2007 for the purpose of operating oil exploration assets which it had acquired from ESG. OIP's activities are focused on oil exploration whilst ESG's activities are focused on CSG exploration. ESG is a substantial shareholder and holds a 23.1% interest in OIP's ordinary shares.

5.2 Exploration assets

OIP is principally involved in oil and gas exploration with seven areas under licence in New South Wales. The areas held under licence cover approximately 39,000 square kilometres with both conventional gas and CSG resource potential. ESG is the joint venture partner to OIP's licences.

Summarised below are the details of licences in which OIP has an interest:

Area	Licence	OIP Interest	Resource Type*
Surat-Bowen Basins	PEL 6	95% - Edendale block	Gas, Oil
		97.5% - remaining area	Gas, Oil
	PEL 427	75%	Gas
	PEL 455	100%	Gas, Oil
Gunnedah Basin	PEL 428	60%	Gas
Darling Basin	PEL 422	100%	Gas, Oil
	PEL 424	100%	Gas, Oil
	PEL 471	100%	Gas

* Resource type information has been sourced from OIP's website

Source: OIP 209 Annual Report

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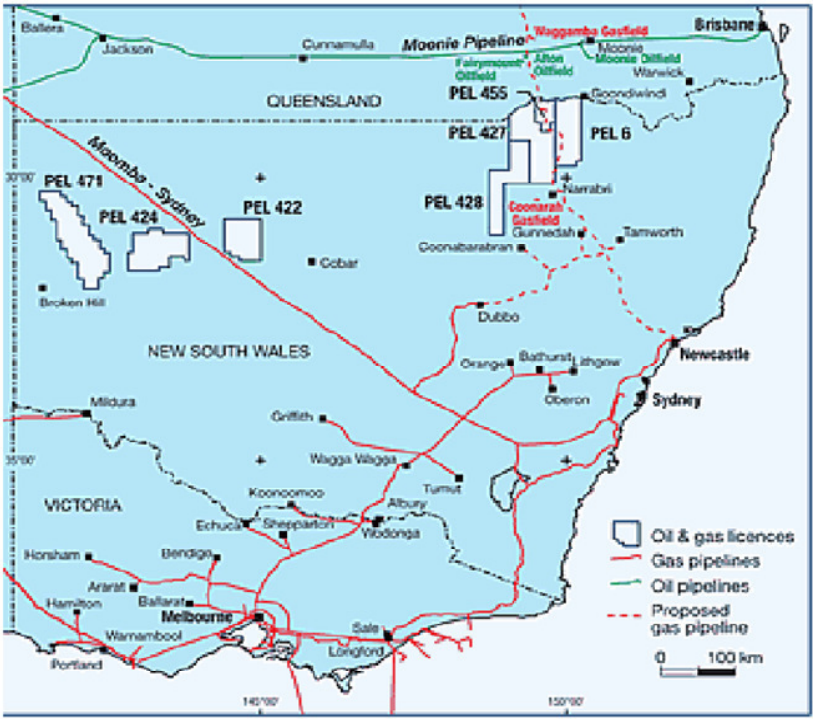
The following map illustrates OIP's exploration assets:



Source: OIP

5.2.1 Surat-Bowen Basin

The Bowen Basin is an active petroleum system. Licences in this basin are located in northern NSW extending to the Queensland border. OIP is entitled to interests ranging from 75% to 100% and acts as the operator of oil exploration activities. ESG holds the remaining interests and acts as the operator for CSG exploration activities.

5.2.1.1 PEL 6

PEL 6 is a large licence area covering 5,163 square kilometres. Resource potential of the PEL 6 licence located in the Surat-Bowen basin has been estimated as follows:

Prospect	Oil (milllion barrels)
Toenda	27.4
Willaroo-2	14.2
Coolibah	9.1
Myall Plain	6.4

Source: OIP 2009 Annual Report

In May 2008 drilling commenced at the Willaroo-1 well in PEL 6 and discovered a small amount of oil which at present is sub-commercial due to thin oil sands. Post-drilling technical analysis was completed and indicated potential resources in the nearby Toenda prospect. OIP is currently seeking a farm-in partner to further explore this prospect.

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CSG exploration work completed by ESG includes the drilling of coreholes in each licence area and a 100 line kilometre 2D seismic survey in PEL 6. The second stage of the drilling program is planned to commence in December 2009 and involves the drilling of two coreholes. ESG indicates that prospects to be investigated have potential resources of 3,500 billion cubic feet.

Further exploration drilling is set to commence in November 2009 at the Milguy-1 and Gwydir-1 coreholes and is expected to take approximately two months to complete. MCS has valued this asset between $3 million and $6.6 million.

5.2.1.2 PEL 455

PEL 455 covers an area of 1,733 square kilometres and has prospects for containing oil as a result of the oil drilled at the nearby Willaroo-1 well in PEL 6. Recent seismic and subsurface data reviews at PEL 455 have confirmed the presence of potential CSG reserves. OIP plans to drill a well during the first half of 2010 which will investigate the CSG potential of a formation in this region. MCS has valued this asset between $1.25 million and $1.35 million.

5.2.1.3 PEL 427

PEL 427 licence covers an area of 7,010 square kilometres. This licence was recently renewed for a three year term ending 20 May 2011. Drilling was completed in early 2009 at the Moree-4 and Kurrabooma-1 coreholes and intersected coal with moderate gas content. MCS has valued this asset between $0.24 million and $0.33 million.

5.2.2 Gunnedah Basin

The Gunnedah basin is located directly next to PEL 427 in the Surat-Bowen basin. OIP is entitled to earn a 60% interest in PEL 428 and acts as the operator for oil exploration activities. ESG is entitled to earn the remaining interests in the basin and acts as the operator of CSG exploration activities. PEL 428 is the least explored of OIP's four tenements in north-western NSW.

ESG has completed the drilling of a corehole in this licence. Post drilling studies are underway to assess the results of this drilling and initial results indicate that the gas recovered is largely composed of methane with traces of carbon dioxide and nitrogen.

MCS has valued OIP's interest in PEL 428 at $0.195 million.

5.2.3 Darling Basin

Licences in this area cover approximately 19,000 square kilometres and are located 700 kilometres west-northwest of Sydney. At present OIP is entitled to earn a 100% interest in this basin, however is currently seeking farm-in partners in order to fully implement its exploration program. The Moomba-Sydney gas pipeline runs through this basin.

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Resource potential in the Darling basin has been estimated as follows:

Prospect	Oil	Gas
	(milllion barrels)	(billion cubic feet)
PEL 422 - Burnamwood	250	700
PEL 424 - Netallie	600	2000
PEL 424 - Coona Coona	100	485
PEL 471 - Rigel	60	235

Source: OIP 2009 Annual Report

5.2.3.1 PEL 471

The PEL 471 licence was granted to OIP with a commencement date of 13 May 2009 and an initial term of four years. The work commitment program totals $325,000. Testing to date has recorded hydrocarbons readings at the North Bancannia-1 and South Bancannia-1 wells. MCS has valued this asset between $0.35 million and $0.75 million.

5.2.3.2 PEL 424

Drilling at the Pondie Range-1 well in the PEL 424 area has been completed but did not penetrate the most prospective region of the structure and as such, no hydrocarbons were detected.

The proposed work program for the year ending May 2010 comprises geological and geophysical studies and data collection at an estimated cost of $75,000. The proposed work program for the year ending May 2011 comprises the acquisition of 55 kilometres of 2D seismic data at an estimated cost of $250,000. MCS has valued this asset combined with PEL 422 between $0.14 million and $0.20 million.

5.2.3.3 PEL 422

PEL 422 covers an area of 4,338 square kilometres and is currently in its last year of its six year term. No previous drilling or recent work has been undertaken within PEL 422. MCS has valued this asset combined with PEL 424 between $0.14 million and $0.20 million.

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5.3 Financial information

5.3.1 Income Statement

OIP	FY08*	FY09
	Audited	Audited
Income Statement (AUD)	**$'000**	**$'000**
Interest Income	865	891
Exploration and evaluation expenditure written off	(2,020)	(4,386)
Directors fees	(87)	(158)
Employee benefits expense	(221)	(571)
Professional and consulting fees	(137)	(173)
Depreciation and amortisation	(16)	(58)
Other expenses	(258)	(276)
Loss before income tax	(1,874)	(4,731)
Income tax expense	-	-
Net loss after income tax	(1,874)	(4,731)

* FY08 results relate to the period from 9 July 2007 (OIP's date of incorporation) to 30 June 2008.

Source: OIP Annual Reports

We note the following in regards to the consolidated income statements set out above:

Year ended 30 June 2008

- exploration and evaluation expenditure written off represents capitalised costs being written off in relation to PEL 6;
- other expenses consists of various expenses including audit fees of $38,000, rental expenses of approximately $47,000, computer software expenses of approximately $54,000, expenses relating to the production of the annual report of $35,000 and travel expenses of approximately $30,000.

Year ended 30 June 2009

- exploration and evaluation expenditure written off increased by 117% compared to the prior year as a result of the abandonment of PEL 8 in October 2008; and
- other expenses consists of various expenses including audit fees of $41,000, insurance costs of approximately $35,000, legal fees of approximately $81,000 and computer related expenses of approximately $36,000.

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5.3.2 Balance Sheet

OIP Balance Sheet (AUD)	As at 30-Jun-08 Audited $'000	As at 30-Jun-09 Audited $'000
Current Assets		
Cash and cash equivalents	19,110	12,770
Inventories	-	198
Other current assets	1,127	124
	20,237	13,092
Non-Current Assets		
Exploration and evaluation assets	822	1,676
Property, plant and equipment	235	181
	1,057	1,857
Total Assets	21,294	14,949
Current Liabilities		
Payables	1,884	188
Provisions	2	15
	1,886	203
Net Assets	19,408	14,746
Equity		
Share capital	21,282	21,282
Reserves	-	69
Accumulated losses	(1,874)	(6,605)
	19,408	14,746

Source: OIP Annual Reports

We note the following in relation to the balance sheets of OIP:

- cash and cash equivalents consists of cash at bank and deposits at call. Cash largely decreased from 2008 to 2009 as a result of $5,240,000 of exploration and evaluation expenditure incurred during the year which was capitalized. $4,386,000 of this expenditure was subsequently written off during the year;

- other current assets consists of sundry debtors, prepayments, interest receivable, deposits, GST receivables and fuel tax rebate receivable;

- exploration and evaluation costs consist of capitalised expenditure which is expected to be recovered through development, exploitation or the sale of areas of interest.

5.4 Capital structure

As at the date of this report, OIP has the following securities on issue:

- 155,000,000 OIP Shares; and

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- 120,050,000 OIP Options.

Of the total OIP options, 5,050,000 options are unlisted and are held by directors of OIP. The remaining OIP Options are listed on the ASX.

As a condition of listing on the ASX, escrow restriction agreements were entered into by the holders of 4,250,000 OIP Shares and 4,250,000 OIP Options. Approximately 12 months from the listing date, 500,000 OIP Shares and 500,000 OIP Options were released from escrow. The remaining 3,750,000 OIP Shares and 3,750,000 OIP Options are under escrow until 12 December 2009. OIP Options under escrow are held by directors, staff and consultants of OIP. OIP options which are restricted by escrow conditions are part of the unlisted OIP options.

5.4.1 OIP Shares

The top 10 shareholders of OIP as at 19 November 2009, including those restricted shares under escrow conditions, are set out below:

Shareholder	No of shares	% of issued shares
Eastern Star Gas Limited	35,750,000	23.1%
Merrill Lynch (Australia) Nominees Pty Limited	28,464,318	18.4%
Octanex Nl	10,972,923	7.1%
National Nominees Limited	4,250,000	2.7%
Fort Capital Pty Ltd	1,605,911	1.0%
Ashabia Pty Ltd <Superannuation Fund A/C>	1,140,000	0.7%
Budside Pty Ltd <Employees Super Fund A/C>	1,000,000	0.6%
Enmore Medical Centre Pty Ltd <Iyer Super Fund A/C>	1,000,000	0.6%
Lit Wick Enterprises Pty Ltd	1,000,000	0.6%
Octan Energy Pty Ltd	975,475	0.6%
Total Top Ten Shareholders	86,158,627	55.6%
Other Shareholders	68,841,373	44.4%
Total	155,000,000	100.0%

Source: OIP

5.4.2 OIP Options

Set out below are the exercise prices and expiry dates of OIP Options on issue:

Number of options	Exercise price	Expiry date
115,000,000	$0.30	30/09/2010
4,250,000	$0.30	30/09/2012
450,000	$0.13	4/07/2011
250,000	$0.12	20/03/2012
100,000	$0.15	23/07/2012

Source: OIP

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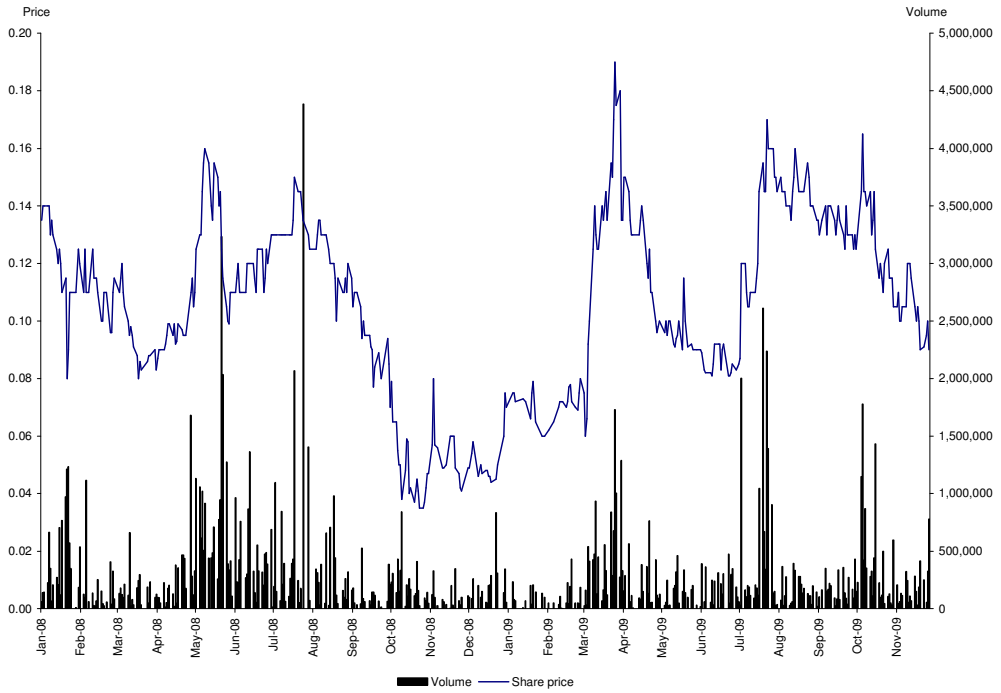
The top 10 OIP Optionholders, excluding director's holdings of unlisted options and therefore restricted options, as at 19 November 2009 are set out below:

Optionholder	No of options	% of issued options
Merrill Lynch (Australia) Nominees Pty Limited	31,279,902	26.2%
Hsbc Custody Nominees (Australia) Limited-Gsco Eca	5,500,000	4.6%
Lit Wick Enterprises Pty Ltd	5,000,000	4.2%
National Nominees Limited	4,000,000	3.4%
Jiapa Pty Ltd <Cairns Investment A/C>	2,250,000	1.9%
International Business Network (Services) Pty Ltd	1,500,000	1.3%
Clodene Pty Ltd	1,175,000	1.0%
Budside Pty Ltd <Employees Super Fund A/C>	1,000,000	0.8%
G Santalucia Investment Pty Ltd <Santalucia Investment A/C>	1,000,000	0.8%
Haptell Pty Ltd <Mizpah S/F A/C>	1,000,000	0.8%
Total Top Ten Optionholders	53,704,902	45.0%
Other Optionholders	65,545,098	55.0%
Total	119,250,000	100.0%

Source: OIP

5.5 Share price performance

We set out below movements in OIP Share price and volumes for the period from January 2008 to 29 November 2009.



Source: Reuters

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We note the following with regard to the share price history shown above:

Date	Comments
15 January 2008	OIP announced the transfer of an initial interest of 30% in PEL 427 and 20% in PEL 428 from Comet Ridge Limited to OIP. OIP has options to earn a further 45% and 40% interest in PEL 427 and PEL 428 respectively. The share price closed at $0.12.
27 February 2008	OIP announced that it will begin its 2008 drilling campaign at the Willaroo-1 exploration well located in PEL 6, northern New South Wales after signing a letter of intent with rig operator Ensign Australia Pty Limited. The share price closed at $0.11.
18 April 2008	OIP announced the delay of commencement of drilling at the Willaroo-1 exploration well until 4 May 2008 due to delays with the repair of a rig gearbox. The share price closed at $0.099.
26 May 2008	OIP announced that the Willaroo-1 exploration well recovered quantities of oil, emulsion and mud. Due to the poor sand quality, and the likelihood that the sands were damaged during drilling, the well has been plugged and abandoned. The share price closed at $0.11.
4 August 2008	OIP announced that the drilling of the Nyngynderry-1 exploration well in the Darling Basis of northwestern New South Wales will commence on 1 September 2008. The share price closed at $0.125.
26 August 2008	OIP announced that it had expanded its exploration portfolio through an agreement with Eastern Star Gas Limited involving coal seam gas exploration acreage in the Bowen, Surat and northern Gunnedah Basins. The share price closed at $0.11.
4 September 2008	OIP announced that drilling had commenced at the Nyngynderry-1 exploration well in the Darling basin of New South Wales. The share price closed at $0.11.
25 September 2008	OIP released its annual report for the year ended 30 June 2008. OIP recorded a loss of ($1,874,000). The share price closed at $0.094.
19 January 2009	OIP announced that drilling of CSG in PEL 427 and 428 in New South Wales is expected to commence in February 2009. The share price closed at $0.066.
6 March 2009	Eastern Star Gas announced that drilling is due to commence at the More-4 corehole within PEL 427. OIP have a 25% participating interest in PEL 427. The share price closed at $0.10.
9 March 2009	OIP announced that drilling of the Moree-4 corehole in PEL 427 was delayed due to poor weather conditions, and that drilling commenced on 8 March 2009. The share price closed at $0.125.
6 April 2009	OIP announced that drilling commenced at the Kurrabooma-1 coal seam gas corehole in PEL 428. The share price closed at $0.145.
25 June 2009	OIP announced that it had been granted a new licence, PEL 471 in New South Wales. The commencement date is 13 May 2009 and the licence has an initial term of four years. The immediate work program comprises technical studies. The share price closed at $0.082.
24 September 2009	OIP released its full year report for the year ended 30 June 2009 and recorded a loss of ($4,371,000). The share price closed at $0.13.
29 September 2009	OIP announced that drilling at the Milguy-1 and Gwydir-1 CSG in PEL 6 in New South Wales is expected to commence in early November 2009. The share price closed at $0.125.
15 October 2009	OIP announced negotiations with OIP in relation to a possible change in control transaction. Negotiations are at a preliminary stage and current pricing is estimated at 1 OIP share for every 2.25 GGX shares. The share price closed at $0.145.
5 November 2009	OIP announced that they had entered into the MIA with GGX. The share price closed at $0.10.
9 November 2009	OIP announced that spudding will commence at the Gwydir-1 corehole within a week. The share price closed at $0.105.

Source: ASX Announcements

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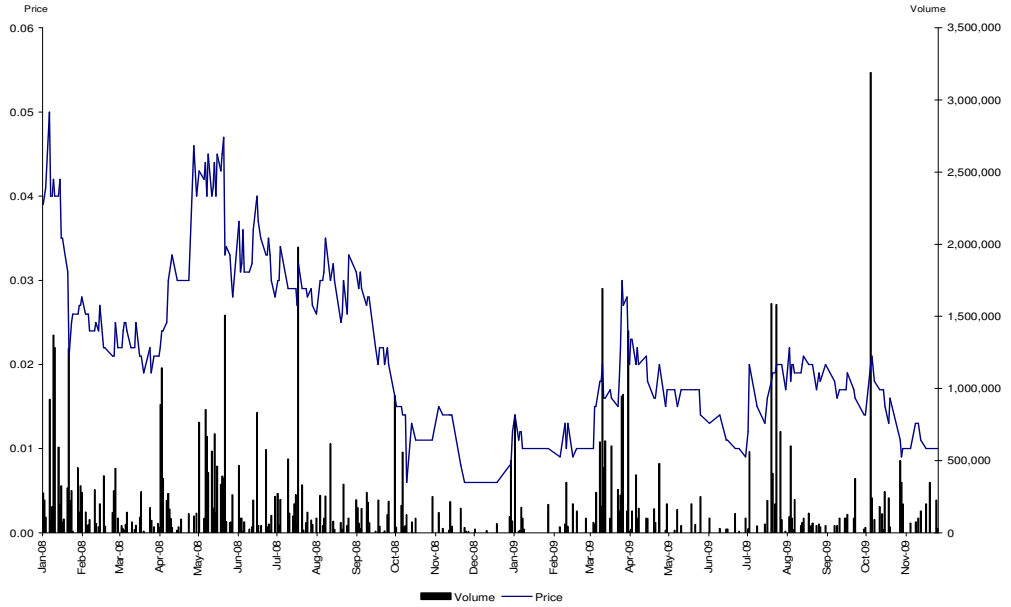
The share price history and trading in OIP shares on the ASX since 1 January 2009 is set out below:

Share price performance of OIP	High (A$)	Low (A$)	Close (A$)	Average weekly volume
Month ended				
January 2009	0.080	0.060	0.060	586,495
February 2009	0.082	0.062	0.080	507,208
March 2009	0.210	0.060	0.135	2,485,446
April 2009	0.160	0.090	0.100	1,089,829
May 2009	0.120	0.090	0.090	799,410
June 2009	0.099	0.080	0.084	1,010,672
July 2009	0.175	0.085	0.145	2,829,462
August 2009	0.160	0.135	0.135	844,449
September 2009	0.150	0.120	0.130	856,681
October 2009	0.170	0.092	0.105	2,146,606
1 November 2009 to 29 November 2009	0.120	0.090	0.090	1,009,808
Week ended				
25 Sep 2009	0.140	0.125	0.130	901,475
2 Oct 2009	0.130	0.120	0.130	1,072,000
9 Oct 2009	0.170	0.130	0.140	4,572,851
16 Oct 2009	0.145	0.100	0.125	2,592,598
23 Oct 2009	0.125	0.110	0.120	986,716
30 Oct 2009	0.125	0.115	0.115	400,000
6 Nov 2009	0.110	0.100	0.105	561,765
13 Nov 2009	0.120	0.105	0.115	800,459
20 Nov 2009	0.120	0.090	0.090	1,065,046
27 Nov 2009	0.100	0.090	0.090	1,762,500

Source: Reuters

5.6 Option price performance

The daily price movements and volumes traded in OIP's listed options for the period from 1 January 2008 to 29 November 2009 are set out below:



Source: Reuters

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The price history and trading in OIP Options on the ASX since 1 January 2009 is set out below:

Option price performance of OIP	High (A$)	Low (A$)	Close (A$)	Average weekly volume
Month ended				
January 2009	0.014	0.008	0.010	953,571
February 2009	0.013	0.009	0.010	675,000
March 2009	0.034	0.010	0.022	2,607,942
April 2009	0.024	0.009	0.017	762,002
May 2009	0.017	0.014	0.014	526,429
June 2009	0.014	0.009	0.009	305,000
July 2009	0.022	0.012	0.017	2,289,913
August 2009	0.035	0.025	0.033	793,510
September 2009	0.019	0.014	0.014	569,586
October 2009	0.021	0.009	0.010	2,116,154
1 November 2009 to 29 November 2009	0.013	0.010	0.010	745,313
Week ended				
25 Sep 2009	0.017	0.016	0.016	1,187,500
2 Oct 2009	0.014	0.014	0.014	150,000
9 Oct 2009	0.021	0.015	0.018	5,866,667
16 Oct 2009	0.019	0.015	0.015	770,000
23 Oct 2009	0.016	0.013	0.016	702,500.000
30 Oct 2009	0.012	0.009	0.010	1,750,000
6 Nov 2009	0.010	0.010	0.010	325,000.000
13 Nov 2009	0.013	0.010	0.011	541,666.667
20 Nov 2009	0.020	0.020	0.010	550,000.000
27 Nov 2009	0.010	0.010	0.010	631,250.000

Source: Reuters

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6 Overview of the Merged Group

We have summarised the key characteristics of the Merged Group in the following sections.

6.1 Overview

If implemented, the Proposed Merger is intended to provide GGX Shareholders and GGX Optionholders with an interest in OIP. The Merged Group will have a portfolio of oil and gas assets located in Australia, France and the Philippines. All GGX Shares will be transferred to OIP. GGX's operations will be merged with OIP and as such, GGX will no longer be listed on the ASX.

6.2 Pro-forma financial position

The pro-forma financial position for the Merged Group prepared by the management of GGX as at 30 June 2009 is summarised below. Refer to the Scheme Booklet for a discussion in relation to the main assumptions.

Pro-forma Balance Sheet Balance Sheet (AUD)	GGX 30-Jun-09 Audited $'000	OIP 30-Jun-09 Audited $'000	Pro-forma Merged Entity 30-Jun-09 $'000
Current Assets			
Cash and cash equivalents	784	12,770	13,945
Inventories	-	198	198
Other current assets	134	124	259
	919	13,092	14,402
Non-Current Assets			
Exploration and evaluation expenditure and rights	6,018	1,676	10,244
Property, plant and equipment	3	181	184
Goodwill	-	-	
	6,021	1,857	10,428
Total Assets	6,939	14,949	24,830
Current Liabilities			
Payables	338	188	197
Provisions	-	15	15
	338	203	212
Non-Current Liabilities			
Provisions	189	-	189
Deferred tax liabilities	1,607	-	1,607
	1,796	-	1,796
Total Liabilities	2,134	203	2,008
Net Assets	4,806	14,746	22,822
Equity			
Share capital	10,717	21,282	29,418
Reserves	(244)	69	669
Accumulated losses	(5,667)	(6,605)	(7,265)
	4,806	14,746	22,822

Source: Scheme Booklet

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6.3 Directors and management

If the Proposed Schemes are approved, the Merged Group will combine the board and management of GGX and OIP. The board of the Merged Group will comprise:

- one existing OIP Director;
- one existing GGX Director;
- the current Managing Director of OIP; and
- the current Managing Director of GGX who is also the Chairman of OIP.

6.4 Potential synergies

The operational efficiencies that management of GGX and OIP expect to achieve are summarised below:

- GGX will have immediate access to cash to realise its extensive work program planned for the SC44 area without having to resort to external capital raising;
- GGX would have immediate savings in fees relating to geophysical services that it currently outsourcing, as these expertise are available within OIP's existing management; and
- the Merged Group will have opportunities to reduce corporate overhead across both sets of operations.

6.5 Capital structure

As at the date of this report, GGX has 183,059,332[9] GGX Shares and 38,584,422 GGX Options on issue.

As at the date of this report, OIP has 155,000,000 OIP Shares and 120,050,000 OIP Options on issue.

Based on the terms of the Proposed Schemes and current capital structure of GGX, OIP will issue approximately 81.4 million OIP Shares and approximately 17.1 million OIP Options to GGX Shareholders and GGX Optionholders respectively.

If 81.4 million new OIP Shares are issued as contemplated above, the total number of OIP Shares on issue will be approximately 236.4 million. Similarly, if 17.1 million new OIP Options are issued, the total number of OIP Options in the Merged Group will be approximately 137.2 million.

Following the completion of the Proposed Merger, GGX Shareholders will own approximately 34.4% of the Merged Group on an undiluted basis and 26.4% on a fully diluted basis.

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[9] Includes 5.8 million shares issued to Directors in relation to outstanding director's fees post 30 June 2009.

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The following table calculates the number of new OIP Shares and OIP Options to be issued under the Proposed Schemes.

Share capital of the Merged Group		Number of shares
Number of GGX Shares on issue		183,059,332
Merger ratio		2.25
New OIP Shares to be issued to GGX Shareholders	A	81,359,703
Existing OIP Shares on issue	B	155,000,000
Total number of Merged Group Shares	C	236,359,703
Percentage ownership in Merged Group (undiluted basis)		
GGX	D = A / C	34.4%
OIP	E = B / C	65.6%
Number of GGX Options on issue		38,584,422
Merger ratio		2.25
New OIP Options to be issued to GGX Optionholders	F	17,148,632
Existing OIP Options on issue		120,050,000
Total number of Merged Group Options		137,198,632
Total number of shares in Merged Group (fully diluted)	G	373,558,335
Percentage ownership in Merged Group (fully diluted basis)		
GGX	H = (A + F) / G	26.4%
OIP	I = 1 - H	73.6%

Source: Calculations

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7 Valuation methodologies

7.1 Introduction

As part of assessing whether or not the Proposed Share Scheme is fair to the GGX Shareholders, Grant Thornton Corporate Finance has analysed the fair market value of:

- GGX;
- OIP; and
- the Merged Group.

Specifically, the fairness assessment has been determined by comparing:

- the value per share of GGX prior to the Proposed Share Scheme (on a controlling basis) to the assessed value per share of the Merged Group after the Proposed Share Scheme have been implemented (on a minority basis); and
- whether or not the Merger Ratio is fair to GGX Shareholders.

In each case, Grant Thornton Corporate Finance has assessed values using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing by not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

7.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- amount available for distribution to security holders on an orderly realisation of assets;
- quoted price for listed securities, when there is a liquid and active market; and
- any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

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Further details on these methodologies are set out in Appendix C to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

7.3 Valuation Methodology for the Proposed Share Scheme

7.3.1 Selected method

We have selected the market value of net assets method as the primary valuation methodology to assess the value of GGX and OIP. This method is considered appropriate for the following reasons:

- the assets of both GGX and OIP comprise predominantly of oil and gas exploration assets. The assets of both companies are at the early stages of exploration. Further development of these assets is required before a budget or forecasts can be reliably estimated. Accordingly, we have not utilised a DCF approach for the purposes of our report;

- historically, GGX and OIP have incurred trading losses and accordingly, we have not utilised a capitalisation of future maintainable earnings approach for the purposes of our report;

- as OIP Shares are quoted on the ASX, we have referred to the quoted price of listed securities method as a cross-check to the values derived using the market value of net assets methodology; and

- we have been advised by GGX and OIP that they have not received any recent offers for their shares any of their key assets or operations. We note that however, GGX has recently completed a capital raisings via placement of shares. We have referred to this transaction as a cross-check to the equity value derived using the primary methodology.

The valuation of exploration assets for independent expert's report purposes are typically carried out in conjunction with an independent technical specialists with expertise in the relevant minerals in accordance with RG112 and generally accepted market practice.

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Valuations of exploration assets, which are highly judgemental, are typically carried out by independent technical specialists using methodologies which require a high degree of industry knowledge. For the purposes of this report, MCS has prepared a valuation of oil and gas exploration assets of both GGX and OIP. The MCS Report was completed in accordance with the VALMIN Code[10].

A copy of the MCS Report is included as Appendix C to this report.

7.3.2 Adopted approach to assess the fair market value of GGX and OIP

In assessing the fair market value of GGX and OIP based on the fair market value of net assets, Grant Thornton Corporate Finance has aggregated the following:

- market value of the oil and gas assets of GGX and OIP;
- value of other assets (net of liabilities) as at the date of this report;
- deducted net present value of corporate overheads; and
- deducted costs associated with the Proposed Schemes.

7.4 Approach for the Proposed Option Scheme

As part of assessing whether or not the Proposed Option Scheme is fair to the GGX Optionholders, Grant Thornton Corporate Finance has analysed the following:

- whether the terms and conditions of the OIP Options are comparable or equivalent to those of the GGX Options; and
- whether the conversion ratio of GGX Options is consistent with the Merger Ratio, which we will consider as part of the assessment of the Proposed Share Scheme.

[10] The VALMIN Code is binding on members of the Australasian Institute of Mining and Metallurgy when preparing public independent expert reports required by the Corporations Act concerning mineral and petroleum assets and securities. The purpose of the VALMIN Code is to provide a set of fundamental principles and supporting recommendations regarding good professional practice to assist those involved in the preparation of independent expert reports that are public and required for the assessment and/or valuation of mineral and petroleum assets and securities so that the resulting reports will be reliable, thorough, understandable and include all the material information required by investors and their advisers when making investment decisions.

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8 Valuation of GGX

As outlined in Section 7.3, we have valued GGX's issued capital using the market value of net assets method.

8.1 Value of GGX's oil and gas exploration assets

As discussed in Section 2.2, MCS has assessed the fair market value of exploration assets held by GGX. For the purpose of this report, we have considered the information included in the MCS Report (Appendix B) and other information and advice provided by MCS.

MCS has assessed the total value of GGX's oil and gas exploration assets to be in the range of $10.3 million to $15.3 million with an optimal value of $10.8 million. The value of the GGX's oil and gas exploration assets ascribed by MCS is summarised below.

GGX oil and gas exploration assets	PEL	Value of GGX's interest		
		Low	High	Optimal value
		$'000	$'000	$'000
Onshore Canning Basin, Western Australia	EP 453	1,260	2,250	1,800
Onshore Visayan Basin, Cebu Island, The Phillipines	SC 44	5,500	9,500	5,500
Onshore Aquitane Basin, France	St Griede Licence	3,500	3,500	3,500
		10,260	15,250	10,800

Source: MCS Report

As set out in section 7.8 of the MCS Report, the high end of the valuation range of $9.5 million ascribed to the SC44 exploration asset has been determined in accordance with the exploration expenditure commitment method. MCS believes that it is unlikely that the value of $9.5 million can be realised under the current circumstances unless GGX is successful in the current workover programme. We have held discussions and enquiries with the Management of GGX in relation to the current workover programme. They have confirmed that GGX complies with the continuous disclosure regime and any update on the current workover programme will be announced to the market if and when required. Furthermore, we note that GGX has only incurred $4.5 million exploration expenditures out of the total workout programme of $9.5 million.

In order to assess the fair market value of the oil and gas exploration assets of GGX, we have adopted a value of $5.5 million for SC44 which is consistent with the optimal value selected by MCS.

Accordingly, based on the assessed value of SC44 and having regard to the value ranges of the other exploration assets of GGX set out in the table above, we have adopted a value range of $10.3 million to $11.3 million for GGX's oil and gas exploration assets.

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8.2 Other net assets

For the purpose of this report, we have assessed the fair market value of the other assets and liabilities of GGX primarily based on the net assets value as at 30 June 2009 sourced from GGX's audited financial statements. Our assessment of GGX's other assets and liabilities as at 30 June 2009 is set out below:

Other assets and liabilities	Low $ '000	High $ '000
Cash and cash equivalents	784	784
Trade and other receivables	132	132
Other financial assets	3	3
Plant and equipment	3	3
Trade and other payables - current and non-current	(526)	(526)
Assessed fair market value of deferred tax liabilities	(964)	(643)
	(569)	**(248)**

Source: GGX 2009 Annual Report and Calculations

As at 30 June 2009, GGX had a deferred tax liabilities balance of $1.6 million[11]. We note the following:

- it refers to temporary differences attributable to the exploration expenditure which are expected to settle after more than 12 months;
- based on discussions with the Management, we understand that the deferred tax liabilities arose due to the exploration expenditure being capitalised for accounting purposes whilst GGX claimed a deduction in the year this expenditure were incurred for taxation purposes;
- the deferred tax liabilities will crystallise when and if GGX's exploration assets develop and commence to generate revenue in conjunction with their depreciation;
- depreciation of the exploration expenditure will only commence when and if the exploration assets are fully proven and GGX has commenced construction of a production facility;
- given the status of exploration company of GGX and the early stage of its assets, GGX is likely to incur significant losses between 30 June 2009 and the date it will commence depreciating the current exploration expenditure. Based on the current taxation regulation, accumulated tax losses can be utilised to offset against future taxable income. Accordingly, the use of accumulated tax losses may further delay crystallisation of the deferred tax liabilities. We note that GGX had accumulated tax losses of $4.6 million as at 30 June 2009;
- given the stages of GGX's exploration assets, there is significant uncertainty in relation to the development of the oil and gas exploration assets; and
- GGX may elect to sell the exploration assets before their development.

[11] We note that the book value of the deferred tax liability as at 31 October 2009 was $1.4 million due to foreign exchange differences.

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Based on the above discussions, enquiries with the taxation director of Grant Thornton and the auditors of GGX, we have applied a discount of between 40% and 60% to the book value of $1.6 million of the deferred tax liabilities of GGX as at 30 June 2009.

Accordingly, we have assessed the fair market value of the other assets and liabilities to be between $0.25 million and $0.57 million.

8.3 Movement in other net assets since 30 June 2009

We have incorporated in our valuation assessment of GGX the issue of 3,242,118 GGX Shares to Dennis Morton and 2,597,656 GGX Shares to David Munns in lieu of outstanding director fees of approximately $374,000 and we have removed the related liability from the balance sheet of GGX. The issue of these shares was approved by GGX Shareholders on 27 November 2009.

On 7 July 2009, GGX undertook a placement of new GGX Shares to sophisticated investors comprising 21,315,000 GGX Shares at $0.05 per share. The net amount raised equated to $1.051 million which GGX has and will continue to utilise for exploration activities especially relating to SC44.

Based on discussions with MCS, we have excluded the cash raised from this capital raising from the net assets of GGX as the valuation of GGX's oil and gas exploration assets in the MCS Report has already incorporated the impact of this cash raised on the value of SC44. We also note that MCS has confirmed that the cash balance of GGX as at 30 June 2009 has not been incorporated in MCS' valuation of GGX's exploration assets.

We have been advised by the management of GGX that the other assets and liabilities have not materially changed between 30 June 2009 and the date of our report.

8.4 Capitalised corporate overheads

GGX incurs ongoing corporate costs which have not been incorporated in the value of the exploration assets. These costs are associated with maintaining office premises, the executive management teams, finance and corporate administration. The costs also include expenditure incurred to meet compliance and continuous disclosure requirements as part of being a listed entity and directors fees.

As the fair market value of GGX is determined on a 100% basis, it is appropriate to consider GGX as an unlisted entity and as such, costs associated with retaining a listed status have been excluded. The exclusion of these costs reflects the potential savings an acquirer would have.

For the purpose of the valuation, we have capitalised the corporate overheads, excluding costs associated with the listing status of GGX using the capitalisation of earnings methodology at a multiple range of 2 to 3 times. The cost associated with the listing status is based on the information provided by management of GGX and professional judgment of Grant Thornton Corporate Finance.

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The following table calculates the capitalised value of corporate overheads:

Corporate overhead	Low	High
	$ ('000)	$ ('000)
Normalised corporate overheads	511	511
Costs associated with maintaining a 'listed' status	(120)	(120)
Ongoing corporate overheads	391	391
Capitalisation Multiple	2	3
Capitalised Corporate Overheads	782	1,174

Source: GGX 2009 annual report and calculations

The capitalised value of the residual corporate overheads has been estimated between $0.8 million and $1.2 million.

8.5 Cost associated with Proposed Schemes

For the purposes of the valuation, Grant Thornton Corporate Finance has considered the costs associated with the Proposed Schemes payable by GGX. Management has advised that the estimated transaction costs to be incurred by GGX if the Proposed Schemes are not implemented are approximately $439,000 (excluding the break fee payable by GGX under certain circumstances).

8.6 Tax losses

GGX has approximately $4.6 million in accumulated tax losses as at 30 June 2009 which could potentially be used to offset against future taxable income. However, the amount has not been recognised as an asset for financial reporting purposes as it does not satisfy the recognition criteria under the relevant accounting standards.

For valuation purposes, unutilised tax losses may have a value as the hypothetical purchaser of a company can use the tax losses to offset against future taxable income, subject to satisfying certain taxation rules.

With respect to the potential utilisation of tax losses by GGX, Grant Thornton Corporate Finance notes that:

- GGX does not currently generate any material earnings or positive cash flows;
- GGX's oil and gas assets are at an early stage of exploration;
- the existing tax losses relate to operational activities conducted predominantly outside Australia; and
- management of GGX have advised that in order to utilise the tax losses to offset future taxable income, GGX needs to reach the production phase, which is remote as at the date of this report.

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Based on the above, it is not possible to predict whether or not GGX will be able to generate any material earnings in the future and as a result be able to utilise the tax losses. Accordingly, we have not ascribed a value to GGX's unutilised tax losses.

8.7 Value of GGX Options

GGX currently has 38,584,422 options on issue. The value derived using the market value of net assets method reflects the value of all GGX's issued securities. The value attributable to GGX's issued shares is determined by first excluding the value of the GGX Options from the market value of GGX's net assets.

The value of GGX's Options has been determined using the binomial option pricing model. We note that GGX Options are listed on the ASX, however the GGX Options have never traded since listing on the ASX.

We have assessed the total value of GGX Options in the range of $0.47 million to $0.62 million having regard to the following key assumptions:

- exercise price of 8 cents;
- expiry date of 30 November 2010; and
- assessed volatility over the life of options between 100% and 120%.

8.8 Valuation summary

The market value of the net assets of GGX is summarised below:

GGX	Section Reference	Low $' 000	High $' 000
Value of oil and gas exploration assets	8.1	10,260	11,250
Other net assets as at 30 June 2009	8.2	(569)	(248)
Movements in net assets since 30 June 2009	8.3	374	374
Capitalised corporate overheads	8.4	(1,200)	(800)
Transaction costs associated with the Proposed Schemes	8.5	(439)	(439)
Value of GGX Options	8.7	(617)	(471)
		7,808	9,666
Number of outstanding GGX Shares (volume '000)		183,059	183,059
Value per GGX Share (cents)		4.27	5.28

Source: Calculations

Based on the above, we have assessed the value of GGX Shares (on a controlling basis) to be in the range of 4.3 to 5.3 cents per share.

8.9 Valuation cross-check

Prior to reaching our valuation conclusion, we have considered the quoted security price and the recent capital raising activities undertaken by GGX.

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In accordance with the requirements of RG111, we have considered the listed securities' depth, liquidity, and whether or not the market value is likely to represent the value of GGX.

The following table summarises the monthly trading volume of GGX Shares since January 2009:

Month ended	Volume traded	Monthly VWAP price ($)	Total value of shares traded	Volume traded as % of total free float*
January 2009	504,932	0.032	16,136	0.4%
February 2009	297,000	0.032	9,581	0.2%
March 2009	543,997	0.034	18,255	0.4%
April 2009	1,639,737	0.047	76,363	1.4%
May 2009	3,846,441	0.058	221,663	3.2%
June 2009	3,960,226	0.060	237,162	3.3%
July 2009	4,832,171	0.061	292,660	4.0%
August 2009	1,183,489	0.059	69,481	1.0%
September 2009	2,361,418	0.058	135,887	1.9%
October 2009	5,635,884	0.065	367,527	4.6%
November 2009	2,467,411	0.045	111,903	2.0%

* Total free float as at 13 July 2009 was 121.3 million shares

Source: Reuters

Based on the above table, the monthly volume traded as a percentage of free-float shares ranged between 0.2% and 4.6% with an average of 2.0%. We also note the following:

- there has been a historically low trading in GGX Shares; and
- GGX Shares have been quite volatile in past months with the minimum and maximum share price varying between 1.7 cents and 8.5 cents between January and October 2009.

The analysis sets out above suggests a low level of liquidity in GGX Shares, accordingly we have relied on the recent capital raising activities of GGX as a cross check valuation methodology.

8.9.1 Recent genuine offers/ comparable transactions

Transactions which involve relatively significant number of shares in a listed company tend to provide an indication of the value of the company. In this regard, we note that GGX conducted a share placement of approximately 21.32 million GGX Shares at an issue price of $0.05 cents on 7 July 2009. At the time of placement, the new shares issued represented 11.6% of GGX's existing issued shares.

The following table analyses the share market price of GGX and the issue price under placement:

GGX share price	Low A$	High A$	VWAP A$	Placement Price A$	Discount on VWAP
1 week prior to 8 July 2009	0.056	0.067	0.061	0.050	23%
2 weeks prior to 8 July 2009	0.056	0.068	0.062	0.050	25%
1 month prior to 8 July 2009	0.054	0.068	0.060	0.050	20%

Source: Reuters and calculations

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The issue price of the placement represented a discount to the share market prices of GGX immediately before the placement. We note that the discount is consistent with the discounts observed in relation to capital raisings completed on the ASX by way of rights issues or private placements at the time due to uncertain and volatile conditions in the Australian and global financial markets.

We also note that the shares were issued to qualified/sophisticated investors under section 708 (8) and 708 (10) of the Corporations Act.

Prior to reaching our conclusion, we have verified and confirmed with the management of GGX that the Company has not released ASX announcements between July 2009 and before the announcement of the Proposed Merger which would have materially affected the issue price of its share placement.

Accordingly, based on the analysis sets out above, we have relied on the placement price of 5 cents in July 2009 as a cross-check to the value of GGX derived in section 8.8.

Based on this analysis, we note that the placement price is consistent with our assessed value of GGX Shares and accordingly, we have concluded that our adopted value of GGX Shares is reasonable. However, we note that the placement prices of GGX is based on a minority parcel of shares and do not include a control premium whilst our assessed value of GGX Shares is on a 100% basis and inclusive of a control premium.

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9 Underlying value of OIP

As outlined in Section 7.3, we have valued OIP's issued capital using the market value of net assets method.

9.1 Value of OIP's oil and gas exploration assets

As discussed in Section 7.3, MCS has assessed the fair market value of the oil and gas exploration assets held by OIP. For the purpose of this report, we have considered the information included in the MCS Report (Appendix B) and other information and advice provided by MCS. MCS has assessed the value of OIP's oil and gas exploration assets to be in the range of $5.1 million to $9.4 million. The values ascribed by the MCS Report are set out below:

OIP oil and gas exploration assets	PEL	Value of OIP's interest		
		Low	High	Adopted value
		$'000	$'000	$'000
Darling Basin	PEL 422 and 424	136	200	170
	PEL 471	350	750	750
Gunnedah Basin	PEL 428	195	195	195
Surat Bowen Basin	PEL 6	3,000	6,600	5,000
	PEL 427	244	330	244
	PEL 455	1,250	1,350	1,300
		5,175	9,425	7,659

Source: MCS Report

Accordingly, we have adopted a value range of $5.2 million to $9.4 million for OIP's oil and gas exploration assets.

9.2 Other net assets

For the purpose of this report, the fair market value of OIP's other assets and liabilities is primarily based on net asset value as at 30 June 2009 sourced from OIP's audited financial statements. The management of OIP have advised that the other assets and liabilities of OIP have not materially changed between 30 June 2009 and 31 October 2009. The other assets and liabilities of OIP include the following:

Other assets and liabilities	$ ('000)
Cash and cash equivalents	12,770
Inventory	198
Other current assets	124
Property, plant and equipment	181
Trade and other payables	(188)
Short term provisions	(15)
	13,070

Source: OIP 2009 Annual report

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9.3 Capitalised corporate overheads

Similar to GGX, OIP incurs ongoing corporate costs not incorporated into the valuation of the exploration assets associated with maintaining office premises, the executive management teams, finance and corporate administration, costs associated with the remuneration payments to key management personnel and costs required to maintain OIP's 'listed status'.

For the purpose of the valuation, we have capitalised the corporate overheads of OIP using the capitalisation of earnings methodology at a multiple range of 2 to 3 times.

The following table calculates the capitalised value of corporate overheads:

Corporate overhead	Low	High
	$ ('000)	$ ('000)
Normalised corporate overheads	532	532
Capitalisation Multiple	2	3
Capitalised Corporate Overheads	1,064	1,596

Source: OIP 2009 annual report and calculations

We have assessed the capitalised value of corporate overheads between $1.1 million and $1.6 million.

9.4 Cost associated with the Proposed Schemes

For the purposes of the valuation, Grant Thornton Corporate Finance has considered the costs associated with the Proposed Schemes payable by OIP. Management has advised that the estimated transaction costs to be incurred by OIP in relation to the Proposed Schemes are approximately $221,000. If the Proposed Schemes are not implemented, the costs are expected to be approximately $175,000.

9.5 Tax losses

OIP has approximately $9 million in accumulated tax losses as at 30 June 2009 which could potentially be used to offset against future taxable income. However, the amount has not been recognised as an asset for financial reporting purposes as it does not satisfy the recognition criteria under the relevant accounting standards.

For valuation purposes, unutilised tax losses may have a value as the hypothetical purchaser of a company can use the tax losses to offset against future taxable income, subject to satisfying certain taxation rules.

With respect to the potential utilisation of tax losses by OIP, Grant Thornton Corporate Finance notes that:

- OIP does not currently generate any material earnings or positive cash flows; and
- OIP's oil and gas assets are at an early stage of exploration.

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Based on the above, it is not possible to predict with reasonable certainty whether OIP will be able to generate any material earnings in the future and as a result, be able to utilise the tax losses. Accordingly, we have not ascribed a value to OIP's unutilised tax losses.

9.6 Value of OIP Options

The value derived using the market value of net assets method reflects the value of all issued securities of OIP. The value attributable to OIP's issued shares is determined by first excluding the value of OIP's Options from the market value of OIP's net assets. OIP currently has 120,050,000 options on issue as set out below.

Number of options	Exercise price	Expiry date
115,000,000	$0.30	30/09/2010
4,250,000	$0.30	30/09/2012
450,000	$0.13	4/07/2011
250,000	$0.12	20/03/2012
100,000	$0.15	23/07/2012

Source: GGX

We note that 115 million of OIP Options are listed on the ASX whilst the remaining OIP Options are unlisted and held by the Management and Directors.

We have assessed the fair market value of the OIP Options between $1.35 million and $1.53 million having regard to the binomial valuation methodology and the option price as listed on the ASX. Set out below is a brief overview of the main assumptions utilised in the binomial option pricing model:

- exercise price between $0.12 and $0.30 as set out in the table above;
- expiry date between 30 September 2009 and 30 September 2012 in accordance with the terms of the OIP Options; and
- expected volatility over the life of the OIP Options between 100% and 120%.

9.7 Minority discount

We note that GGX Shareholders will collectively hold between 34.4% and 26.4% of the issued capital of the Merged Group on a fully diluted and undiluted basis respectively. Typically, a shareholding of less than 50% represents a minority position and its relative market value is less than the shareholding of a controlling interest. The difference is typically referred to as a minority discount and can range from 15% to 35% depending on the circumstances.

Accordingly, we have applied a minority discount to our valuation assessment of OIP on a stand alone basis. For the purpose of assessing the relevant minority discount, we have considered the following:

- the shareholding spread of OIP. In this regard, we note that GGX Shareholders will collectively hold approximately 34.4% of the Merged Group on an undiluted basis or 26.4% on a fully diluted basis if the Proposed Schemes are implemented;

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- the businesses and operations of OIP, particularly the nature of its investments comprising of predominately cash resources; and
- the board composition of OIP post the implementation of the Proposed Merger.

Given that the GGX Shareholders will no longer control the assets and operations of GGX in the Merged Group, we consider the application of a minority discount to be appropriate. Nonetheless, the GGX Shareholders (collectively) will still have a significant degree of influence on the Merged Group given that they will hold between 26.4% and 34.4% of the voting rights in the Merged Group on a fully diluted basis and undiluted basis respectively. Furthermore, the proposed composition of the Board of Directors allocates almost equal representation between OIP and GGX. Accordingly, we have applied a minority discount between 15% and 25% which is at the end of the range observed in the market.

9.8 Valuation summary

The valuation of OIP is summarised below:

Market value of OIP	Section Reference	Low $' 000	High $' 000
Value of oil and gas exploration assets	9.1	5,175	9,425
Other net assets as at 30 June 2009	9.2	13,070	13,070
Capitalised corporate overheads	9.3	(1,600)	(1,100)
Transaction costs associated with the Proposed Schemes	9.4	(175)	(175)
Value of existing OIP Options	9.6	(1,539)	(1,354)
		14,931	19,867
Number of outstanding OIP Shares (volume'000)		155,000	155,000
Value per OIP Share (cents)		9.63	12.82
Value of OIP Shares (minority basis at a discount of 15% to 25%)		11,198	16,887
Number of outstanding OIP Shares (volume)		155,000	155,000
Value per OIP Share (cents)		7.22	10.89

Source: Calculations

Based on the above, we have assessed the value of OIP Shares (on a minority basis) to be in the range of 7.22 to 10.89 cents per share.

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9.9 Valuation cross-check

9.9.1 Quoted security price

We have considered the quoted price of listed securities of OIP to provide a cross-check to our assessed value of OIP. The following table summarises the monthly trading volume of OIP Shares since January 2009:

Month ended	Volume traded	Monthly VWAP price ($)	Total value of shares traded	Volume traded as % of total free float*
January 2009	1,290,289	0.07	89,242	1.3%
February 2009	1,521,623	0.07	113,224	1.5%
March 2009	10,935,962	0.15	1,615,217	10.6%
April 2009	4,359,314	0.12	544,866	4.2%
May 2009	2,717,993	0.10	265,857	2.6%
June 2009	3,840,552	0.09	330,094	3.7%
July 2009	13,015,523	0.14	1,879,404	12.6%
August 2009	3,546,687	0.15	518,874	3.4%
September 2009	3,598,062	0.13	478,238	3.5%
October 2009	9,795,085	0.13	1,310,860	9.5%
November 2009	4,313,710	0.10	432,468	4.2%

* Total free float as at 30 September 2009 was 103 million shares

Source: Reuters

Based on the above table, the monthly volume traded as a percentage of free-float shares ranged between 1.3% and 12.6% with an average of 5.3%. These observations suggest that OIP Shares have reasonable levels of liquidity.

We have completed our assessment by selecting the share market prices of OIP prior to the announcement of the Proposed Merger. Set out below is a summary of the share market prices of OIP Shares for various periods prior to the announcement of the Proposed Merger:

OIP market share price	A$
14 October 2009 (trading day prior to the announcement of negotiations between GGX and OIP	0.135
1 week prior to 15 October 2009 (VWAP)	0.145
2 weeks prior to 15 October 2009 (VWAP)	0.147
1 month prior to 15 October 2009 (VWAP)	0.142
2 months prior to 15 October 2009 (VWAP)	0.142

Source: Reuters and calculations

Based on the above, the value of OIP Shares on a minority basis implied by the quoted listed price range between 13.5 cents to 14.5 cents.

The value of OIP Shares implied by the quoted share price materially exceeds the value derived using the market value of net assets (on a minority basis) for OIP (as set out in Section 9.8).

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In relation to this difference, we note the following:

- prior to implementation of the Proposed Merger, OIP's assets mainly comprised of cash resources of $12.7 million as at 30 June 2009. We believe that the quoted price may incorporate market expectation on how OIP intends to utilise its significant cash balance;

- OIP's exploration assets are at very early stages of development and OIP has not performed active drilling since March 2009. Given the difficulties of junior mining companies to raise capital to fund their operations and the significant cash balance of OIP, the share price before the announcement of the Proposed Merger may have incorporated expectations in relation to a particularly value accretive transaction for OIP;

- the share price of OIP following announcement of the Proposed Merger decreased by more than 30% against a reduction of the ASX Small Ordinary Index of only 4%. It is not unreasonable to consider that the quoted price of OIP before the announcement of the Proposed Merger not only reflects the value of the existing assets but also expectations on assets that could potentially be acquired using the existing cash balance;

- the share price of OIP may not fully incorporate the dilutionary effect of the existing OIP Options as they are currently out of the money; and

- if the share price of OIP mainly reflects the value of its cash balance and the relative investment opportunities, the capitalised value of corporate overheads of OIP may not be fully reflected in the share price.

- in our opinion, a potential takeover of OIP Shares will attract a modest premium for control as the large majority of OIP assets are represented by cash. If the share price of OIP is compared with the assessed value per OIP Share on a controlling basis, the magnitude of the difference between our assessed value per OIP Share set out in Section 9.8 and the share price before the announcement of the Proposed Merger reduces significantly.

Based on the above discussions, we believe our assessment of OIP as set out in section 9.8 is reasonable.

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10 Underlying value of the Merged Group

When considering the underlying value of the Merged Group, Grant Thornton Corporate Finance has aggregated the underlying value of GGX, OIP, potential synergies net of the value of OIP Options and estimated transaction costs resulting from the Proposed Share Scheme.

The underlying value of GGX and OIP is on a 100% and standalone basis. As the purpose of assessing the underlying value of the Merged Group is to assess the value of the consideration offered to GGX Shareholders, we have adjusted the valuation to reflect:

- the costs in relation to the listing status of the Merged Group;
- value of potential synergies;
- transaction costs of the Proposed Merger; and
- the fair market value of the OIP Options, including the new OIP Options to be issued to GGX Optionholders.

10.1 Value of synergies and transaction costs

When considering the underlying value of the potential synergies resulting from the Proposed Merger, we had made enquiries and held discussions with management of GGX and OIP in relation to:

- the quantum and timing of the potential synergies to be realised by the Proposed Merger;
- the processes undertaken by management of GGX and OIP in identifying and quantifying the potential synergies and their respective timing; and
- the risk associated with the realisation of the potential synergies.

Management of GGX and OIP have advised that the Proposed Merger will result in achieving benefits in the following areas:

- corporate overheads;
- internalisation of exploration and technical expertise; and
- rationalisation of exploration effort.

Grant Thornton Corporate Finance has considered the level of work undertaken by management of GGX and OIP in identifying potential synergies associated with the Proposed Merger. Based on discussions with GGX, they acknowledge that there will be synergies that will be realised from the Proposed Merger mostly in the form of cost savings from rationalising corporate overhead costs. However, GGX and OIP are not currently able to quantify with a reasonable degree of certainty these cost savings and as such, we have not reflected them in our valuation of the Merged Group.

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10.2 Value of OIP Options post implementation of Proposed Option Scheme

As part of the Proposed Option Scheme, OIP will issue 17,148,632 new OIP Options to the existing GGX Optionholders. The underlying values of GGX and OIP used to determine the value of the Merged Group using the market value of net assets method reflects the value of all issued securities of the Merged Group. The value attributable to the Merged Group's issued shares is determined by first excluding the value of the Merged Group's Options (comprising the value of OIP's existing options and the new options as part of the Proposed Option Scheme) from the market value of Merged Groups's net assets.

The value of the new OIP Options to be issued as part of the Proposed Option Scheme has been determined using the binomial option pricing model. The existing OIP Options was also re-assessed on the same basis as the valuation of the new OIP Options to reflect the value of the total OIP Options after the Proposed Merger and in particular the current share price of OIP.

Set out below is a brief overview of the main assumptions utilised in the binomial option pricing model:

- exercise price of $0.18 based on the exercise price of the GGX Options multiplied by the merger ratio of 2.25 times;
- expiry date of one year; and
- expected volatility over the life of the OIP Options between 100%.

The total value of OIP Options following implementation of the Proposed Merger has been estimated between $1.2 million and $1.6 million as follows:

Valuation of OIP Options after the Proposed Merger	No. of options	Low ($)	High ($)
Existing OIP Options	120,050,000	915,685	1,297,825
New OIP Options	17,148,632	318,965	318,965
Total	137,198,632	1,234,650	1,616,790

Source: Calculations

10.3 Value of the Merged Group

The following table summarises our assessment of the underlying value of the Merged Group on a 100% basis:

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Merged Group - Valuation summary (controlling basis)	Section Reference	Low $' 000	High $' 000
Underlying value of GGX (excluding GGX Options)	8.7 and 8.8	8,425	10,137
Underlying value of OIP	9.6 and 9.8	16,470	21,220
Value of OIP Options	10.2	(1,298)	(916)
Value of new OIP Options to be issued to GGX Optionholders	10.2	(319)	(319)
Remaining transaction costs associated with the Proposed Schemes	9.4	(46)	(46)
Value of the Merged Group		23,233	30,076
Number of Merged Group Shares (volume '000)		236,360	236,360
Value of Merged Group Shares (controlling basis) - (cents)		9.83	12.72

Source: Calculations

Our assessment of the underlying value of the Merged Group is primarily based on the sum of parts approach in which it represents the value of the Merged Group on a 100% basis and as a result inclusive of a control premium.

A hypothetical purchaser of a business is generally willing to pay a control premium in order to acquire the benefits associated with owning 100% of the business, including:

- the ability to realise synergistic benefits;
- access to cash flows;
- access to tax benefits; and
- control of the board of directors of the company.

Evidence from studies indicate that control premiums on successful takeovers have frequently been in the range of 20% to 40% and that the premiums vary significantly from transaction to transaction.

For the purpose of assessing the value of the consideration offered to GGX Shareholders, being shares in the Merged Group ("Merged Group Shares"), we have assessed the value of Merged Group Shares on a minority interest basis, as GGX Shareholders will be receiving minority parcels of the Merged Group Shares as consideration. For the purpose of this report, we have adopted a minority discount range of 15% to 25% to assess the value of Merged Group Shares on a minority interest basis.

The following table summarises the value of Merged Group Shares on a minority interest basis.

Merged Group - Valuation Summary (Minority Basis)	Low cents per share	High cents per share
Value of Merged Group per share (controlling basis)	9.83	12.72
Minority interest discount	25%	15%
	7.37	10.82
Merger ratio (times)	2.25	2.25
Value of Merged Group per share (minority basis) to GGX	3.28	4.81

Source: Calculations

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Based on the Merger Ratio of 2.25, the implied value of a GGX Share following implementation of the Proposed Merger is between 3.28 and 4.81 cents.

10.4 Valuation cross-check

Prior to reaching our conclusions, we have considered the quoted price of listed securities of OIP after the Proposed Schemes have been announced to provide a cross-check to our assessed value of the Merged Group.

We have completed our assessment by selecting the share market prices of OIP after the Proposed Schemes was first announced on 15 October 2009 to the latest practical date prior to the issue of this report. The share price of OIP after the Proposed Schemes have been announced reflects market prices incorporating the expectation and the market's evaluation of the Proposed Schemes.

Set out below is a summary of the share market prices of OIP Shares for various periods after the announcement of the Proposed Merger up to the latest practical date before this report was issued:

OIP market share price	A$
Closing share price as at 30 November 2009	0.091
1 week prior to 30 November 2009 (VWAP)	0.094
2 weeks prior to 30 November 2009 (VWAP)	0.097
1 month prior to 30 November 2009 (VWAP)	0.101

Source: Reuters and calculations

Based on the above, the value of OIP Shares on a minority basis implied by the quoted listed price after the Proposed Schemes ranges between 9.4 cents to 10.1 cents. The value derived for the shares of the Merged Group on a minority basis is within the range of the value of the OIP Shares after the Proposed Share Scheme. Therefore, we are of the opinion that the value of the Merged Group determined in section 10.3 above ranging between 7.4 cents to 10.8 cents on a minority basis is reasonable.

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11 Evaluation of the Proposed Shares Scheme

11.1 Fairness

11.1.1 Approach

In forming our opinion in relation to the fairness of the Proposed Share Scheme to the GGX Shareholders, Grant Thornton Corporate Finance has considered the following:

- the underlying value of the consideration offered to GGX Shareholders; and
- whether the Merger Ratio is consistent with our valuation assessment of GGX on a controlling basis and OIP on a minority basis prior to the Proposed Merger.

11.1.2 Valuation of the consideration offered to GGX Shareholders

If the Proposed Share Scheme is implemented, GGX Shareholders will receive 1 OIP Share for every 2.25 GGX Shares owned.

In order to assess the value of the consideration offered to GGX Shareholders, being securities in the OIP/Merged Group, we have estimated the underlying value of the securities in the Merged Group.

For the purpose of this report, we note that the Proposed Schemes are considered a control transaction under RG 111. OIP's existing shareholders are expected to hold approximately 65.6% of the Merged Group's issued capital pursuant to the Proposed Share Scheme. When assessing the fairness of the Proposed Share Scheme, RG 111 requires that the underlying value of GGX Shares on a control basis be compared with the value of OIP Shares on a minority basis. The rationale for the basis of comparison is to reflect that:

- OIP will control the Merged Group; and
- GGX Shareholders will be receiving OIP Shares constituting minority interests in the Merged Group.

The following table summarises our assessment:

Pre and post assessment	Section Reference	Low cents per share	High cents per share
Value to GGX Shareholders prior to Proposed Merger (controlling basis	8.8	4.27	5.28
Value to GGX Shareholders after Proposed Merger (minority basis)	10.3	3.28	4.81

Source: Calculations

The high end of our assessment of the value of the consideration offered for GGX Shares on a minority interest basis is within the range of GGX Shares on a controlling basis prior to

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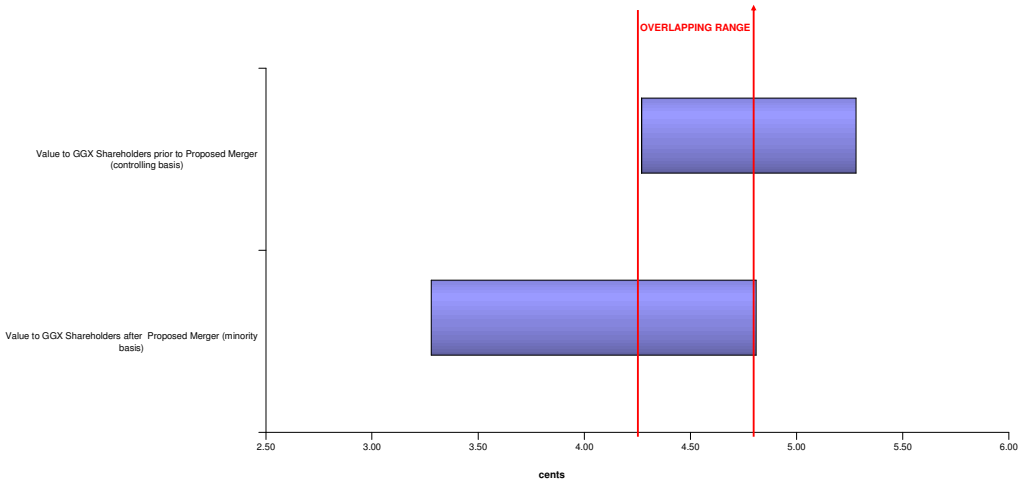
implementation of the Proposed Merger. Accordingly, we conclude that the consideration offered to the GGX Shareholders is fair.

Set out below is a graphic representation of our fairness assessment.



Whilst we have concluded that the consideration offered to GGX Shareholders is fair, we note the low end of our valuation range of the consideration offered is below our assessed value range of GGX prior to the Proposed Merger.

We note that the minimum value of the consideration offered required to ensure GGX Shareholders are not disadvantaged financially by implementing the Proposed Merger is 4.27 cents. In the event that the fair market value of the consideration offered is below 4.27 cents, then the Proposed Scheme would not be fair. However, under these circumstances we believe that the Proposed Merger is still reasonable having regard to the reasonableness considerations set out below and accordingly the Proposed Merger would remain in the best interests of GGX Shareholders.

11.1.3 Merger ratio

If the Proposed Share Scheme is implemented, the existing GGX Shareholder will receive 1 OIP Share for every 2.25 GGX Shares held. For the purpose of assessing whether the Proposed Share Scheme is in the best interests of GGX Shareholders, we have cross-checked our fairness assessment of the Proposed Merger having regard to our assessment of the Merger Ratio to verify that the Merger Ratio is consistent with our valuation assessment of GGX on a controlling basis and OIP on a minority basis prior to the Proposed Merger.

The following table summarises our assessment of the Merger using the underlying value of GGX and OIP:

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Merger ratio assessment	Section Reference	Low cents per share	High cents per share
Value of GGX prior to Proposed Merger (controlling basis)	8.8	4.27	5.28
Merger ratio (times)		2.25	2.25
Value to be relinquished by GGX Shareholders		9.60	11.88
Value of OIP prior to Proposed Merger (minority basis)	9.8	7.22	10.89

Source: Calculations

As the implied value per share of GGX based on the Merger Ratio is within our assessed valuation range of OIP, we conclude that the Merger Ratio is appropriate to the GGX Shareholders having regard to the terms of the Proposed Merger.

11.1.4 Conclusion on fairness of the Proposed Share Scheme

Based on the above, we conclude that the Proposed Share Scheme is fair to the GGX Shareholders.

11.2 Reasonableness of the Proposed Share Scheme

For the purpose of assessing whether the Proposed Share Scheme is reasonable to the GGX Shareholders, we have summarised the following likely advantages and disadvantages associated with the Proposed Share Scheme.

11.2.1 Advantages

If the Proposed Share Scheme is implemented, the likely advantages include:

- GGX will have immediate access to OIP's significant cash resources to further progress and expedite its extensive planned work program for its exploration asset in the Philippines (i.e. SC44) and other identified projects. If the Proposed Merger is not implemented, GGX will be required to raise additional funding on the market to further develop its existing exploration assets or enter into joint venture agreements with potential interested parties. There is uncertainty in relation to the ability of GGX on a stand alone basis to raise sufficient cash to fully fund the planned work program in relation to SC44. Furthermore, a joint venture agreement with external parties will result in GGX losing 100% control over SC44 and any future potential upside. We note that as set out in the Scheme Booklet, the Management of the Merged Group is committed to prioritise and continue to fund the work programme in relation to the SC44 exploration asset;

- If the Proposed Merger is not implemented, GGX is likely to require additional capital, which may involve issuing additional GGX Shares. Share market prices of GGX may be adversely affected due to uncertainty as to future funding sources for the continuing development of GGX's exploration assets. Furthermore, future capital raising may be required to be undertaken at a material discount to the prevailing share price of GGX Shares, potentially with a dilution for GGX Shareholders greater than any dilution implied in the Proposed Merger. Specifically, we

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note that in July 2009, GGX raised approximately $1 million at a discount between 20% and 25% to the prevailing share price at that point in time;

- Our valuation assessment of GGX on a stand alone basis incorporates the application of a full control premium in accordance with the requirements of RG111. If the Proposed Merger is implemented, GGX Shareholders will hold between 34.4% and 26.4% of the Merged Group on an undiluted and fully diluted basis respectively. However, GGX representatives on the Board of Directors of the Merged Group will initially hold a greater proportion of the Board of Director positions than GGX Shareholders collective holding in OIP following completion of the Proposed Merger. Specifically, GGX representatives will account between 25% and 50% of the board of Directors of the Merged Group given the current managing director of GGX who is also the current Chairman of OIP will be appointed on the board of the Merged Group. As set out in the Notice of Meeting, the other Directors of the Merged Group will comprise of the following:

Name/Position	**Appointed by**	**Comments**
Russell Langusch – Managing Director	Independent	Independent energy consultant
David Munns – NED	GGX	Current chairman of GGX
Ashley Edgar – NED	OIP	Current director of OIP

Source: Scheme Booklet

Based on the discussion sets out above and the board representations in the Merged Group, our valuation assessment of GGX on a stand alone basis may not warrant the application of a full control;

- The Merged Group is expected to have higher market capitalisation and improved liquidity than GGX on a standalone basis. The increase in market capitalisation may provide the Merged Group with an improved profile in the market and in turn, may result in a greater following by the investment and broking community. This may have a positive impact on the Merged Group's share price and assist future capital raising activities to fund exploration projects;

- GGX will form part of a group which has a more diversified asset base and a strong balance sheet position which could enable the Merged Group access to debt and equity markets which were previously not available;

- GGX will gain access to more experienced management and technical personnel relating to geophysical services which it previously outsourced. GGX would be able to leverage OIP's existing in-house personnel and management which could increase day-to-day operational efficiency and as result, progress or even accelerate the development of existing exploration projects; and

- The Merged Group will rationalise certain administrative functions and overhead structure (e.g. office premises and retaining only one listing status) which is likely to result in cost saving going

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forward. Our valuation assessment of the Merged Group does not incorporate any cost savings in relation to the implementation of the Proposed Merger.

11.2.2 Disadvantages

If the Proposed Share Scheme is approved, the likely disadvantages include:

- GGX Shareholders will not hold a controlling interest in the Merged Group (including the assets and operations of GGX). GGX Shareholders' collective interest in the Merged Group will be diluted to between 34.4% and 26.4% of the voting rights on an undiluted and fully diluted basis respectively;

- GGX Shares are currently widely spread with Mr Dennis Morton being the largest shareholder with approximately 16.6% of the issued capital of GGX. If the Proposed Share Scheme is implemented Eastern Star Gas Limited ("ESG") will become the largest single shareholder of the Merged Group holding over 15% of the Merged Group's issued capital on an undiluted basis. ESG may have the capacity to block any potential takeover bid of the Merged Group should ESG consider not to be in its best interest at the expense of GGX Shareholders. However, we note that this is also the case in the current shareholders structure of GGX with Mr Dennis Morton holding approximately 16.6% of the issued capital;

- The enlarged oil and gas exploration assets portfolio of the Merged Group will increase future funding requirements in relation to exploration activities. The development of both GGX's and OIP's existing exploration assets will require continuous significant investments into the projects. In addition, given the early stages of the existing assets portfolio and the extended lead time of oil and gas exploration projects, it is likely to be a number of years before the exploration assets will generate steady, positive cash flows;

- The Scheme Booklet noted that after the implementation of the Proposed Merger, the Merged Group will have sufficient existing cash reserve to finance operations for the next twelve months after the merger. At that point in time, the Merged Group will need to source external funding to continue to fund future exploration activities and cover overheads and administrative costs;

- if the Proposed Schemes are not approved by the GGX Shareholders and GGX Optionholders, GGX (under certain circumstances) may be liable to pay a break fee of $0.1 million to OIP; and

- GGX Shareholders will share in any future oil and gas discoveries and relative uplift in the exploration assets with the existing OIP Shareholders whilst the main asset of OIP consists of cash which has limited or no upside potential. However, we note that any capital raisings by GGX to fund its exploration requirements will have a similar dilutionary effect for GGX Shareholders.

11.2.3 Other factors

11.2.3.1 Control value following implementation of the Proposed Merger

For the purposes of our calculation of the fairness, we have compared the assessed control value of a GGX prior to the Proposed Share Scheme with the assessed minority value of the Merged

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Group as if the Proposed Share Scheme proceeds in accordance with RG 111. We note that the comparison of a 'control' value and a 'minority' value has a significant impact on the fairness assessment. For illustrative purposes we note that our assessed range of control values for GGX prior the Proposed Transaction of 4.27 to 5.28 cents per shares falls within our assessed range of control values for the Merged Group should the Proposed Share Scheme proceed of 4.37 to 5.66 cents per share. If the Proposed Merger does not proceed and GGX enters into a transaction similar to the Proposed Merger with another company with significant cash resources, we consider it unlikely that GGX shareholders would receive a control premium.

Specifically, junior exploration companies have experienced significant difficulties in the last 12 to 18 months to gain access to funds to develop their assets and accordingly, in our opinion, given the limited cash resources currently available to GGX, GGX's bargaining power would be limited under these circumstances.

Furthermore comparable equity placement would be undertaken at a discount to the prevailing market prices;

11.2.3.2 GGX Shareholders' position if the Proposed Share Scheme is not approved

If the Proposed Share Scheme is not approved, GGX will remain listed on the ASX and it would be the current directors' intention to continue operating in line with its objectives. GGX Shareholders who retain their shares will continue to share in any benefits and risks in relation to GGX's ongoing business. GGX will need to raise funding to finance its exploration activities given the current cash resource is insufficient to support GGX's exploration activities and overhead costs for the next 12 months. If GGX is unsuccessful in raising capital, it would either have to sell part of its exploration assets portfolio or, enter into farm-in arrangements with external parties for the SC44 exploration assets. Consequently, GGX would share in any potential benefits/income stream that could be derived from SC44.

11.2.3.3 Taxation

Grant Thornton Corporate Finance has not provided any taxation advice in relation to the Proposed Merger. GGX Shareholders should consider the information contained in the Scheme Booklet in relation to taxation implications.

11.2.3.4 Alternative proposals

The directors of GGX have advised that the Proposed Merger is currently the only proposal available to GGX at the date of this report. The directors have undertaken not to solicit any competing proposal or to participate in discussions or negotiations in relation to any competing proposals in conjunction with the execution of the MIA.

We believe that if an alternative proposal on better terms were to emerge, this would occur prior to the shareholders meeting convened to consider the Proposed Merger. We note that there will be a significant time-lag between the dispatching of the Scheme Booklet to GGX Shareholders and the shareholders meeting. In the event that an alternative offer on better terms emerges, shareholders will be entitled to vote against the Proposed Share Scheme.

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11.2.3.5 Dividend policy

If the Proposed Schemes are implemented, the dividend policy of the Merged Group will be determined by the board of the Merged Group. However, the Merged Group does not anticipate paying a dividend for the financial year ending 30 June 2010. The Merged Group intends to review the dividend policy on an annual basis.

11.2.3.6 Interdependent schemes

Based on the terms of the MIA, the Proposed Share Scheme and the Proposed Option Scheme are interdependent. In other words, for the Proposed Merger to be implemented, both the Proposed Share Scheme and the Proposed Option Scheme must be approved, subject to the satisfaction of other conditions stipulated in the MIA. The Proposed Merger will not proceed if only one of the proposed schemes is approved.

11.3 Overall conclusion

After considering the abovementioned quantitative and qualitative factors relevant to GGX Shareholders, we have formed our opinion that the Proposed Share Scheme is in the best interests of GGX Shareholders.

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12 Evaluation of the Proposed Option Scheme

12.1 Fairness of the Proposed Option Scheme

In our assessment of the fairness of the Proposed Option Scheme, we have compared the terms of GGX Options with the terms of the OIP Options to verify that the economic value of the GGX Options and the OIP Options, after adjustments to reflect the Merger Ratio are equivalent.

Set out below is a comparison of the terms of the existing GGX Options and the new OIP Options to be issued to the GGX Shareholders if the Proposed Merger is implemented.

	GGX Options	OIP Options
Number of Options	38,584,422	17,148,632
Exercise price	8 cents	18 cents
Expiry date	30 November 2010	30 November 2010

As set out above the terms of the OIP Options are identical to the terms of the GGX Options adjusted for the Merger Ratio. The number of OIP Options to be issued to GGX Shareholders and the exercise price are calculated based on the Merger Ratio, which we have assessed to be appropriate under the Proposed Share Scheme.

We note that value of an option is derived from two components comprising:

- the intrinsic value which is the difference between the exercise price of the option and the current value of the underlying instrument; and
- the time value which is the difference between the option value and the intrinsic value. Essentially, the time value reflects the probability of the option gaining intrinsic value or becoming "in the money" before the expiry date. The time value is affected by volatility, risk free rate, dividend policy and the time to expiry.

Accordingly before reaching our conclusion in relation to the Proposed Option Scheme we have analysed and compared the key value drivers of the GGX Options and OIP Options to be issued to GGX Optionholders.

Intrinsic value

In the assessment of the intrinsic value of the options we have had regard to our assessment of the fair market value of GGX prior to the Proposed Merger and of the Merged Group as set out in sections 8.8 and 10.3. We note that our assessment of GGX prior to the Proposed Merger is on a control basis. Accordingly, to calculate the intrinsic value of the GGX Options we have applied a minority discount between 25% and 15% to our assessment of GGX prior to the Proposed Merger to take into account the parcel of shares to be held by the optionholders in GGX after exercise of the GGX Options.

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The level of the minority discount is consistent with the discount applied to the Merged Group following implementation of the Proposed Transaction.

Set out in the table below is a comparison between the intrinsic value of the existing GGX Options and OIP Options to be issued to GGX Option holders adjusted for the Merger Ratio.

GGX	Low	High	Mid-Point
	cents per share	cents per share	cents per share
Value to GGX Shareholders prior to the Proposed Merger (minority basis)	3.20	4.49	3.84
GGX Options exercise price	8.00	8.00	8.00
Intrinsic value	(4.80)	(3.51)	(4.16)
% difference	(60%)	(44%)	(52%)

OIP	Low	High	Mid-Point
	cents per share	cents per share	cents per share
Value of OIP after the Proposed Merger (minority basis)	7.22	10.89	9.06
Exercise price of new OIP Options	18.00	18.00	18.00
Intrinsic value	(10.78)	(7.11)	(8.94)
% difference	(60%)	(40%)	(50%)

As set out in the table above, the intrinsic value discount between the existing GGX Options and the OIP Options to be issued to GGX Option holders have been consistent.

Volatility

Volatility of the underlying share price – historical and future volatility of the GGX share price and OIP share price is not expected to be materially different given the exploration assets profile of GGX and OIP and the fact that GGX current exploration assets will represent the most prospective assets in the Merged Group.

Dividend policy

Both OIP and GGX are junior exploration companies and they do not have an historical policy to distribute dividends;

In summary, we note the following:

- the exercise price and the number of options are adjusted based on the Merger Ratio which we have assessed to be appropriate under the Proposed Share Scheme;
- the intrinsic value of the GGX Options and OIP Options to be issued to GGX Shareholders is consistent;
- the expiry date of the GGX Options has not changed; and
- the volatility of the underlying shares and the dividend policy of GGX prior to the implementation of the Proposed Merged and of the Merged Group are expected to be consistent.

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Accordingly, it is our opinion that the Proposed Option Scheme is fair to the GGX Optionholders since the economic value of the GGX Options and the OIP Options after adjustments to reflect the Merger Ratio are equivalent.

12.2 Reasonableness of the Proposed Option Scheme

For the purpose of assessing whether the Proposed Option Scheme is reasonable to the GGX Optionholders, we note that the Proposed Share Scheme and the Proposed Option Scheme are interdependent and certain factors relevant to GGX Shareholders are also applicable to the Optionholders for the purpose of evaluating the reasonableness of the Proposed Option Scheme.

In addition to the likely advantages and disadvantages associated with the Proposed Share Scheme, the GGX Optionholders can benefit from the:

- enhanced credit profile and balance sheet of the Merged Group as compared to that of GGX;
- the liquidity of current OIP Options is significantly greater than the liquidity of GGX Options;
- historical and future volatility of the current GGX Options and the OIP Options to be issued to GGX Optionholders is not expected to be materially different given the exploration assets profile of GGX and OIP and the fact that GGX current exploration assets will represent the most prospective assets in the Merged Group.

Based on the above and our assessment of the fairness of the Proposed Option Scheme, it is our opinion that the Proposed Option Scheme is reasonable to GGX Optionholders.

12.3 Overall Conclusion

Based on the above, it is our opinion that the Proposed Option Scheme is in the best interests of the GGX Optionholders.

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13 Sources of information, disclaimer and consents

13.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Australian Petroleum Production & Exploration Association Limited, 'Annual Production Statistics';
- BP, 'BP Statistical Review of World Energy June 2009';
- Energy Information Administration, 'International Energy Outlook 2009';
- GGX and OIP Annual and Half Year Reports;
- GGX and OIP's websites;
- IBISWorld Industry report;
- Industry Commission, 'Study into the Australian Gas Industry and Markets, 6 March 1995';
- Information and announcements by GGX and OIP on the ASX;
- M. Kimber and A. Moran, 'Coal Seam Methane in the 21st Century, December 2004';
- MCS Report;
- MIA;
- NERA Economic Consulting, 'The Gas Supply Chain in Eastern Australia, June 2007';
- Onesource;
- Other information provided by GGX Management;
- Productivity Commission, 'Review of the Gas Access Regime, August 2004';
- Queensland Government, 'August 2009 Industry Update';
- Reuters;
- RLMS Presentation, 15 September 2008;
- Draft Scheme Booklet in relation to the Proposed Merger;
- Discussions with Patrick Sam Yue, a Director of GGX who is part of the sub-committee established by the Company;
- Discussions with technical specialist;
- Other publicly available information.

13.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act 2001 and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to GGX and all other parties involved in the Proposed Schemes with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We conclude that there are no conflicts of interest with respect to GGX, its shareholders, its optionholders and all other parties involved in the Proposed Schemes.

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Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with GGX or OIP that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Schemes.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Schemes, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Schemes. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

13.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by GGX, OIP, the report prepared by MCS, various enquiries and discussion with the technical specialist and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided to it by GGX, OIP, MCS and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. In addition, Grant Thornton Corporate Finance is not aware of any material matters that would lead us to believe that the assumptions, methodologies and data used by MCS are unreasonable or inappropriate under the circumstances. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of GGX or OIP.

This report has been prepared to assist the directors of GGX in advising the GGX Shareholders and GGX Optionholders in relation to the Proposed Schemes. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Share Scheme and the Proposed Option Scheme are in the best interests of the GGX Shareholders and GGX Optionholders respectively.

GGX has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by GGX's engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by GGX and OIP, which GGX and OIP knew or should have known to be false and/or reliance on information, which was

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material information GGX and OIP had in its possession and which GGX and OIP knew or should have known to be material and which GGX and OIP did not provide to Grant Thornton Corporate Finance. GGX will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

13.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Scheme Booklet to be sent to the shareholders of GGX. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

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Appendix A – Glossary

APPI	Tapis Asia Pacific Pricing Index
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BCF	Billion Cubic Feet
Bpd	Barrels Per Day
CAGR	Compounded Annual Growth Rate
Company	Gas2Grid Limited
Corporations Act	Corporations Act 2001
Corporations Regulations	Corporations Regulations 2001
CSG	Coal Seam Gas
DCF	Discounted cash flow
EIA	Energy Information Administration
EMH	Efficient Market Hypothesis
EP	Exploration Permit
ESG	Eastern Star Gas Limited
FSG	Financial Services Guide
FY	Financial Year
GGX	Gas2Grid Limited
GGX Optionholders	Optionholders of GGX
GGX Options	1 Option in GGX
GGX Share	1 Ordinary Share in GGX
GGX Shareholders	Shareholders of GGX
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
GST	Goods and Services Tax
Ineligible Shareholders	GGX Shareholders which are domiciled in jurisdictions other than Australia and New Zealand
Marker Crude	Key markets against which crude oil is priced
MCS	Mulready Consulting Services Pty Ltd
MCS Report	Report prepared by Mulready Consulting Services Pty Ltd
Merged Group	The resulting entity after GGX Shareholders collectively become minority shareholders in OIP following the implementation of the Proposed Merger
Merged Group Shares	Shares in the Merged Group
Merger Ratio	1 OIP security for every 2.25 GGX security held where security is either shares or options

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MIA	Merger Implementation Agreement
Natural Gas	Conventional Natural Gas
NSW	New South Wales
NYMEX	New York Metals Exchange
OECD	Organisation for Economic Co-operating and Development
OIP	Orion Petroleum Limited
OIP Options	1 Option in OIP
OIP Share	1 Ordinary Share in OIP
OPEC	Organisation of Petroleum Exporting Countries
PEL	Petroleum Exploration Licence
Philippines	Republic of the Philippines
PPL	Petroleum Production Lease
Proposed Merger	The MIA to be implemented by two schemes of arrangement
Proposed Option Scheme	The proposed scheme under which GGX Optionholders receive 1 OIP Option for every 2.25 GGX Option's held
Proposed Scheme	The proposed Scheme of Arrangement
Proposed Schemes	The Proposed Options Scheme together with the Proposed Share Scheme
Proposed Share Scheme	The proposed scheme under which GGX Shareholders receive 1 OIP Share for every 2.25 GGX Shares held
Report	The Independent Expert's Report prepared by Grant Thornton
RG 111	ASIC Regulatory Statement 111 "Content of expert reports"
RG 112	ASIC Regulatory Statement 112 "Independence of experts"
SC44	Service Contract 44
Scheme Booklet	The Scheme Booklet which details the schemes of arrangement between GGX, GGX Shareholders and GGX Optionholders
US	United States of America
VALMIN Code	The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports, 2005 Edition (revised)
WTI	West Texas Intermediate

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Appendix B – Report by Mulready Consulting Pty Ltd

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INDEPENDENT VALUATION

PETROLEUM INTERESTS OF

GAS2GRID LIMITED

&

ORION PETROLEUM LIMITED

MULREADY CONSULTING SERVICES PTY LTD

November 28th 2009

28th November 2009

The Directors
Grant Thornton Corporate Finance
P.O. Locked Bag Q800
QVB Post Office
Sydney NSW 1230

cc. Independent Directors
Gas2Grid Limited
Suite 303, Level3
10 Bridge Street
Sydney NSW 2000

Dear Sirs,

At your request I have prepared the following assessment of the value of the petroleum assets of Gas2Grid Limited ("Gas2Grid") and Orion Petroleum Limited ("Orion"). Currency is expressed in Australian$ unless otherwise specified.

The results may be summarised as follows:

PERMIT	VALUATION	OPTIMAL VALUE
PEL 6	$3-6.6 million	$5 million
PEL 427	$0.244 - $0.33 million	$0.24 million
PEL 455	$1.25-$1.35 million	$1.3 million
PEL 428	$0.195 million	$0.195 million
PEL s 422 & 424	$0.136-$0.2 million	$0.17 million
PEL 471	$0.35-$0.75 million	$0.75 million
Total Orion Properties	**$5.175- $9.425 million Say $5.1-9.4 million**	**$7.659 million say $7.7 million**
EP 453	$1.26 -$2.25 million	$1.8 million
St Griede Licence	$3.5 million	$3.5 million
SC 44	$5.5-$9.5 million	$5.5 million
Total Gas2Grid Properties	**$10.26- $15.25**	**$10.8 million**

NOTES:
This Report has been prepared in compliance with the requirements of the Valmin Code as revised 2005.
Properties have been valued by means of reference where possible to both work commitments or recent commercial transactions. In some instances recourse has been made to hypothetical farmin terms in order to provide a realistic value.

Yours truly

Jack Mulready.

B.Sc., B.A., Dip. Ed., F.Dip. RMIT, MGSA, MPESA, Certified APPG Geologist #5321

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1. INTRODUCTION

The Boards of each of Gas2Grid and Orion have agreed to, and voted to, merge their companies and assets. Under the merger proposal Orion will acquire Gas2Grid and merge that company into Orion. The proposed monetary terms for this take over and merger are the issuing of one (1) Orion share for every two and one quarter (2.25) Gas2Grid shares.

Figure 1 Gas2Grid Holdings Maps

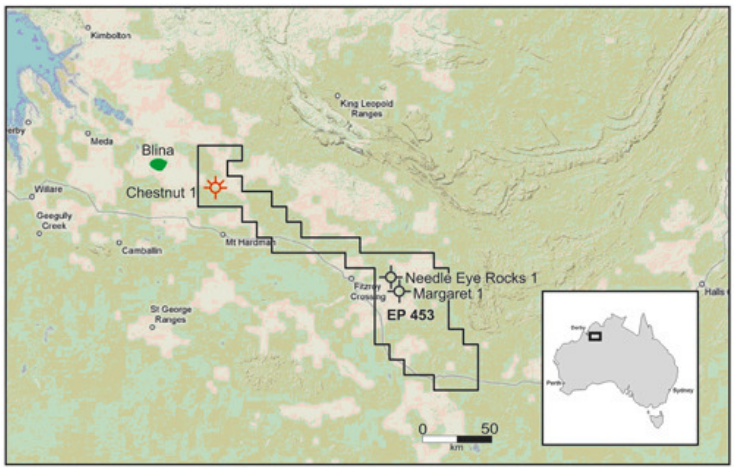

Fig. 1(a) EP 453 Onshore Canning Basin W.A.

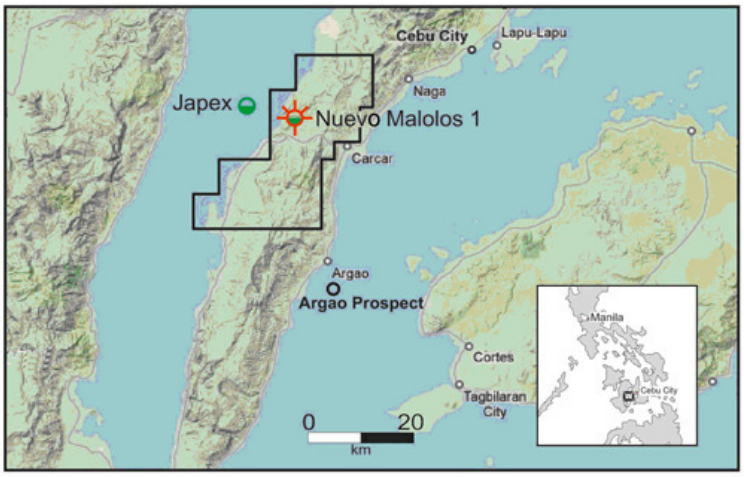

Fig. 1(b) SC 44 Onshore Visayan Basin, Cebu Island. Philippines

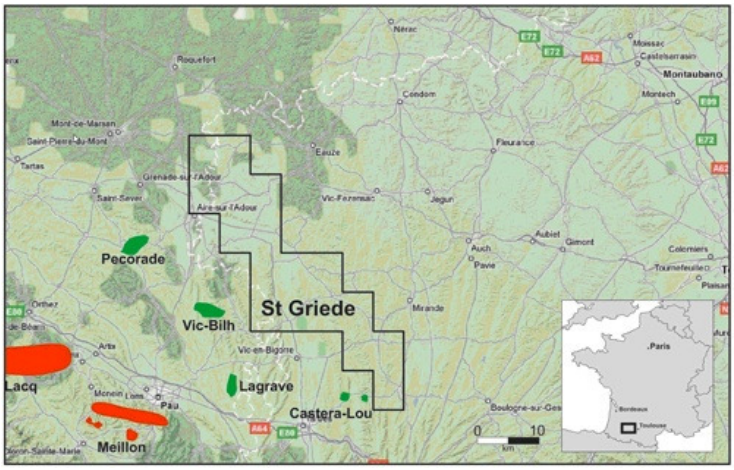

Fig. 1(c) St Griede Licence, Aquitaine Basin, Fran

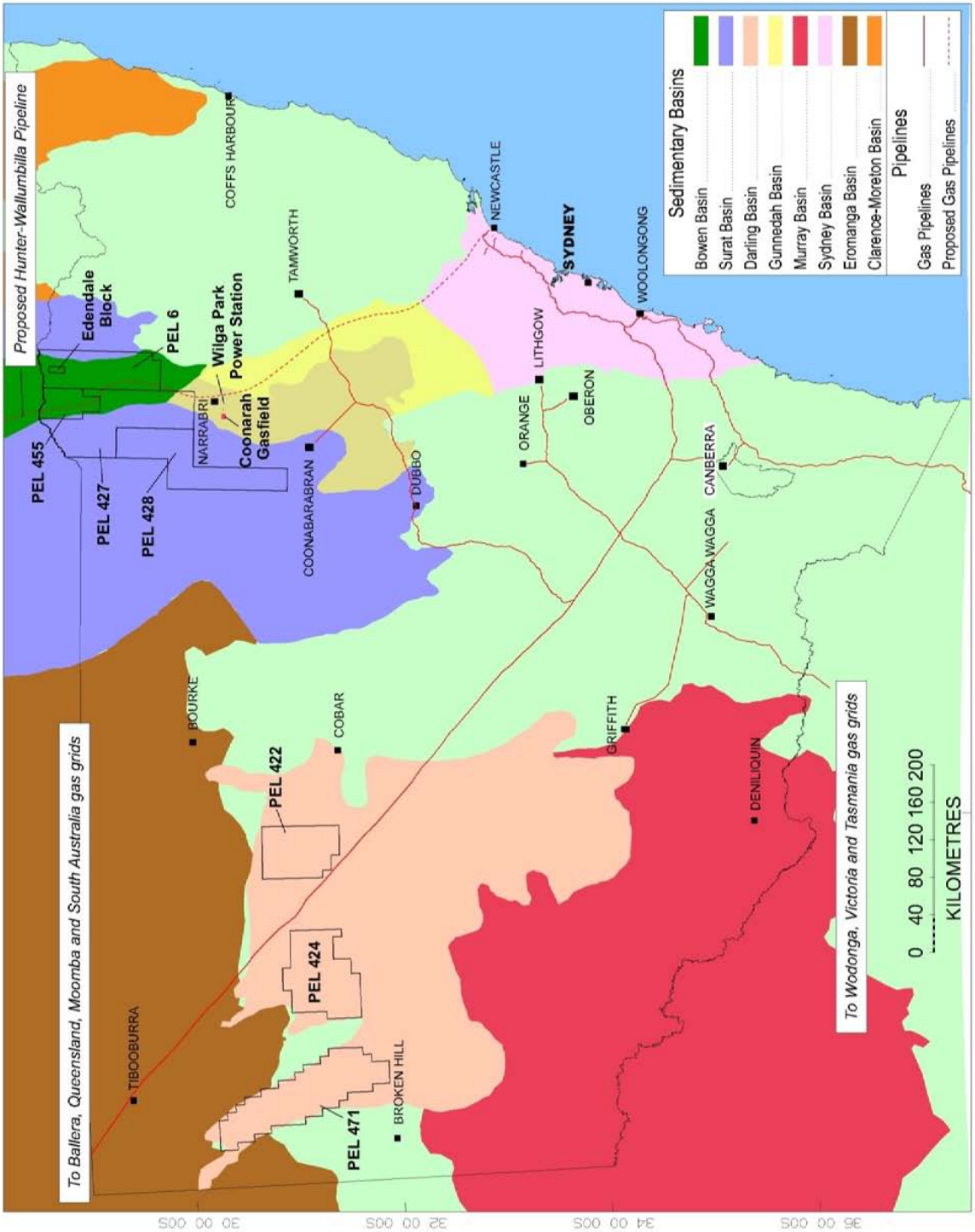

Figure 2. Orion Petroleum Limited - Acreage Holdings Map

2. PETROLEUM ASSETS

Orion Petroleum holds a number of petroleum assets in Australia. The interests held are summarised in the following table

TABLE 1 Orion Petroleum Acreage Portfolio

COUNTRY	PERMIT	BASIN	INTEREST HELD	CBM JV INTEREST#
Australia	PEL 6 Edendale Sub-block	Surat Bowen NSW	95%**	20%**
	PEL 6 Remainder	Surat Bowen NSW	97.5%*	22.5%*
	PEL 427	Surat Bowen NSW	75%	25%
	PEL 455	Surat Bowen NSW	100%	100%
	PEL 428	Gunnedah NSW	60%	20%
	PEL 422	Darling NSW	100%***	
	PEL 424	Darling NSW	100%***	
	PEL 471	Darling NSW	100%	

CBM interests post-completion of ESG farmin
* 3.5% royalty to private interests
** 1.75% royalty to private interests
*** 8% royalty to third parties

Exploration equity in Orion's Bowen/Surat and Gunnedah/Surat tenements is complicated by the fact that two exploration joint ventures are operating in parallel in these blocks The first is that of conventional hydrocarbon exploration, whilst the second is concerned with coal bed methane ('CBM' also known as 'CSG' = coal seem gas) drainage exploration. Orion is a member of both joint venture groups, but with different equity holdings. Orion is the exploration operator for conventional exploration but not that for CBM exploration. There is no CBM exploration in Orion's Darling Basin properties.

Gas2Grid holds interests in 3 permits, one in Australia, one in the Philippines and one in France.

TABLE 2 Gas2Grid Acreage Portfolio

COUNTRY	PERMIT	BASIN	INTEREST HELD
Australia	EP 453	Onshore Canning WA	100%*
Philippines	Service Contract 44	Onshore Cebu Island	100%
France	St Griede Licence	Aquitaine	50%

*3% royalty to private interests

3. WORK COMMITMENTS

A ORION WORK COMMITMENTS

TABLE 3

PEL 6 NSW

YEAR	MINIMUM WORK COMMITMENT	EST. COST
2007	Geological & Geophysical Studies 100 km 2D seismic	Completed
2008	Drill 1 well (Willaroo-1)	Completed
2009	Application for renewal without relinquishment	
2010	100 km 2D seismic or 1 well Drill/test 3 coal seam gas("CBM") coreholes	$2.7-3.95 million
2011	100 km 2D seismic or 1 well 100 km seismic in southern PEL 6	$2.2-2.9 million
2012	Geological & Geophysical Studies Drill 2 CBM coreholes or 100 km 2D seismic	$1.0-1.45 million
2013	100 km 2D seismic Drill 2 CBM coreholes or 100 km 2D seismic	$1.65-2.1 million

TABLE 4

PEL 427 NSW

YEAR TO	MINIMUM WORK COMMITMENT	EST. COST
5/2009	Drill 1 corehole (Moree-4)	Completed $235,000
5/2010	75 km 2D seismic	$700,000
5/2011	Drill 1 corehole	$400,000

TABLE 5

PEL 455 NSW

YEAR TO	MINIMUM WORK COMMITMENT	EST. COST
7/2008	100 km 2D seismic (Dongelly Survey 2009)	Completed $847,990
7/2010	Drill 1 well 50km seismic reprocessing	$400,000

TABLE 6

PEL 428 NSW

YEAR TO	MINIMUM WORK COMMITMENT	EST. COST
9/2009	Geological & Geophysical Studies Seismic reprocessing	Completed
9/2010	Drill 1 well or equivalent seismic (Kurrabooma-1)	Completed
9/2011	To be determined in consultation with DII	

TABLE 7

PEL s 422 & 424 NSW

YEAR	MINIMUM WORK COMMITMENT	EST. COST
1/2008	Geological & Geophysical Studies P-Transient Electromagnetic Survey	Completed $100,000
1/2009	Geological & Geophysical Studies	$40,000
1/2010	Geological & Geophysical Studies 75 km seismic reprocessing	$30,000

TABLE 8

PEL 471 NSW

YEAR	MINIMUM WORK COMMITMENT	EST. COST
5/2010	Geological & Geophysical Studies	$75,000
5/2011	55 km 2-D seismic	$250,000

B GAS2GRID WORK COMMITMENTS

TABLE 9

EP 453

YEAR TO	MINIMUM WORK COMMITMENT	EST. COST
1/2008	Seismic reprocessing	Completed $100,000
1/2010	200k seismic or 1 well (pending)	$600,000
1/2011	Technical studies	$100,000
1/2012	1 well	$300,000
1/2013	1 well	$300,000

TABLE 10

SC 44 Philippines

YEAR TO	MINIMUM WORK COMMITMENT	EST. COST
12/2007	Geochemical Survey	Completed
2008	Reservoir study	
2009	Workover of Nuevo Malolos-1 well 100 km 2D seismic	$1,500,000
1/2011	Drill three wells Aero-gravity survey	$2,500,000

TABLE 11

St Griede Licence

YEAR	MINIMUM WORK COMMITMENT	EST. COST
2008-09	Geological & Geophysical studies	$1,000,000
2009-10	Airborne Gravity Survey	$500,000
2010-11	400 km seismic	$2,500,000
2011-13	Drill well to minimum depth 2500 m	$3,000,000

4. PURPOSE OF VALUATION

This valuation report dealing with the petroleum assets of Gas2Grid Limited ("Gas2Grid") and Orion Petroleum Limited ("Orion") has been prepared for the purpose of assisting Grant Thornton Corporate Finance Pty Ltd in preparing a fair and reasonable statement in relation to a proposed transaction by Orion to acquire the issued capital of Gas2Grid, in accordance with the requirements of the Australian Stock Exchange.

5. TENEMENTS

Gas 2 Grid and Orion hold different styles of acreage portfolios. The former company's acreage is internationally oriented and is located predominately in producing basins or basins in which oil seeps are known and where oil recoveries have been made from wells sited by rudimentary positioning methods, such as surface mapping.

The latter company's portfolio is nationally focussed and is evenly split between basins with some hydrocarbon production and shows and a frontier basin in which only minor hydrocarbon indications are known from the subsurface.

A ORION PROPERTIES

Central eastern Australia contains a large Permo-Triassic sedimentary complex of three basins, namely the Bowen in southern Queensland and far northern NSW, the Gunnedah in north-western NSW and the Sydney Basin in central NSW. Mesozoic Surat Basin section overlies the southern Bowen Basin and the Gunnedah Basin.

Orion has seven exploration properties in NSW. Two of these are in the Bowen/Surat Basin which contains the major gas and oil producing horizons in the Queensland sector of the basin. Another two are located in the correlative Gunnedah/Surat basin, whilst the remaining three are located in the frontier Darling Basin.

.

PEL 6 (Onshore Bowen/Surat Basin, New South Wales)

The tenement overlies the southern portion of the Permo-Triassic Bowen Basin, which is productive of both oil and gas, across the State border in southern Queensland. The Bowen Basin sequence is overlain by prospective Surat Basin section, which is oil productive at Moonie and other fields in nearby southern Queensland. Indications of and minor recoveries of oil and gas have been made from either the Bowen and/or Surat Basin sequences of many of the wells drilled in and around PEL 6. These early wells were not valid crestal tests.

The Willaroo 1 well, a valid crestal test drilled in May 2008, encountered an oil saturated sand in the Late Permian Back Creek Formation. A drillstem test of this tight unit produced 4 barrels of high quality 39° API light oil. The 4 metre thick oil sand is interpreted to be filled to the spill point.

Robust seismically defined structural traps have been identified in the area of the Willaroo Structure, some up dip of Willaroo 1 in a domain where better quality reservoir development can reasonably be expected on sedimentological grounds. Orion plan to test the best of these prospects, Toenda, in the near future.
The chances of discovering producible hydrocarbons, of a conventional nature, in the northern portion of this permit are quite reasonable. None-the less it should be noted that 50 years of (admittedly spasmodic) exploration has failed to yield a commercial discovery to date.

The tenement also has appreciable coal bed methane (CBM) drainage potential and a farmin by Eastern Star Gas Limited (ESG) is presently being consummated. Preliminary exploration, the drilling of coreholes and the acquisition of seismic data, directed towards this potential has commenced and several areas have been high-graded.
CBM potential in the Permian aged Maules Creek and Triassic aged Moolayember Formations, respectively, have been recognized in the far south-east of the tenement.

More work needs to be undertaken to fully assess the CBM potential of PEL 6

A significant discovery of conventional gas, CBM or oil, all of which have a reasonable chance, in this tenement, should be marketable. Oil is always readily marketable and the proposed Hunter-Wallumbilla Gas Pipeline, for which some of the pipeline licences have been awarded, will pass through PEL 6, as well as Orion's other two tenements in the Bowen/Surat Basin and Gunnedah/Surat Basin acreage, PEL 427 and PEL 455 respectively.

PEL 427 (Onshore Gunnedah/Surat Basins, New South Wales)

The Bowen and Surat Basins are productive of both oil and gas, whereas the Gunnedah and Sydney Basins produce CBM.

The CBM farm in operator, ESG, has completed the Moree 4 corehole, fulfilling the Year one work program and an earlier commitment of Orion as well as partially earning equity in the permit. Work is continuing on assessing recently acquired CBM field data.

The tenement has three corridors of CBM potential, the first in the north-west, of Cretaceous age, discussed in the previous sector. The second sector in the east and calibrated by the Moree 4 well has both Cretaceous and Triassic Moolayember Formation, as mentioned in the section on PEL 6. The third and probably the best area is located in the far south-east of the tenement, and it has Maules Creek Formation of the Gunnedah Basin CBM potential as calibrated by the Edgeroi 1 well, drilled by ESG in the adjacent tenement PEL 238, located adjacent to and immediately south of PEL 427. CBM exploration will be prioritized in the eastern portion of the tenement. The Maules Creek Formation net coal intersections are several times, in order of magnitude, of those of the Coreena- Moree Cretaceous aged coals.
Orion have advised their exploration efforts in the foreseeable future will not include conventional exploration.
The comments regarding markets and pipelines for PEL 6, apply equally to this tenement.

PEL 455 (Onshore Bowen/Surat Basin, New South Wales)
Like PEL 6 the northern boundary of this tenement abuts the Queensland border and is an area from which several oil and gas shows have been encountered from non-optimally sited wells of both the Bowen and Surat Basin sequences. In a similar vein to PEL 6 an established petroleum system is operational in the northern sector, at least, of PEL 455, as confirmed by these oil and gas shows.

The OP09D (Dongelly) Seismic Survey recorded to investigate anomalies identified on a previously acquired Passive Transient Electro Magnetics (P-TEM) survey has confirmed the presence of the large Whalan Creek Prospect, a conventional oil and gas target. Potential undiscovered resource determinations, using geologically reasonable parameters, indicate that the structure could contain an undiscovered potential resource of order 20 MMbbls of oil in place in a Permian aged Back Creek Formation sandstone.

Investigative CBM studies have identified two areas of promise within the Cretaceous aged Coreena-Moree Coal Measures of the Surat Basin Sequence. The first area, in the south-east of the tenement, is calibrated by the Moree-4 CBM well, which was drilled in the central eastern portion of PEL 427. This prospective corridor is located in parts of PEL's 455 and 427 and the central western portion of PEL 6.

The second prospective area for Cretaceous CBM is located in the south-west, extending into PEL427, to the west. Not as much quantitative data is known about this corridor.

PEL 428 (Onshore Gunnedah/Surat Basin and Bowen/Surat Basin, New South Wales)

This is the most south-western and least explored of Orion's four tenements in north-western NSW. Prior to the Kurrabooma 1 cored CBM well recently drilled by ESG in the permit, the only drilling that had been done were three stratigraphic wells drilled by the Geological Survey of NSW. No indications of hydrocarbons were reported from these stratigraphic wells, drilled quite a while ago.

Kurrabooma 1, located in the north-west of the permit, like Moree 4 in PEL 427, encountered a thin interval of Cretaceous aged Coreena-Moree (=Bungil-Coreena) coals. More work needs to be undertaken to assess the CBM potential of this tenement.

Seismic data recorded in 2007 was designed to address some fundamental exploration goals, namely;-

- To identify structural leads
- Delineate known leads
- Investigate the extent of Permian Gunnedah Basin deposition in the permit
- Extend sub-surface knowledge from well control in adjacent permits
- Investigate extent of CBM potential within permit

Work is progressing on this tenement in terms predominantly of CBM prospectivity. Orion have advised their exploration efforts in the foreseeable future will not include conventional exploration

PEL 422 (Onshore Darling Basin New South Wales)

The Darling Basin in far western NSW is a sparsely explored frontier basin. Much of the drilling that has been conducted in the basin was done in the 1960's, in the first major wave of exploration in Australia. Much of the drilling was stratigraphic or sited on gravity or magnetic structures, hence it has little relevance to the basin's hydrocarbon prospectivity. Very little seismic data has been recorded and much of what has is low resolution reflection data. The techniques and equipment used in seismic acquisition, seismic processing data interpretation, drilling, logging and formation evaluation, whilst then the state of the art, are by today's standards quite rudimentary. Hence the basin has not been definitively evaluated.

The major attraction of the basin is that it is of essentially Devonian genesis and is a correlative of the Adavale Basin of central western Queensland, a productive basin. That basin contains the Gilmore Gas Field, It should be noted that oil has been recovered from an appraisal well in the Gilmore Field and that minor amounts of oil recovered from several exploration wells in central western Queensland, with drainage access to Devonian rocks, has been typed to Devonian source rocks.
The basin is well sited with regards to infra-structure as the Moomba- Sydney gas pipeline
.
Much of the recent exploration in the basin has been reconnaissance geochemical sampling, which has very little relevance to the definitive siteing of exploration wells.

The last well Nyngynderry 1 drilled in the basin was spudded by Orion in 2008 in PEL 8 in the Blantyre Trough in the south of the basin. The well was plugged and abandoned without any significant hydrocarbons in the Snake Cave Formation at a depth of 2266 m kb. No indications of hydrocarbons were encountered whilst drilling, this was confirmed by post drill logging. No competent seals were encountered and the sandy section was tight and devoid of reservoir development.

As a result of this well Orion surrendered PEL 8, their acreage in the southernmost Sub-basin of the Darling Basin. Disappointingly no marine section was encountered. The results of this well do not contribute markedly to the basin's prospectivity, raising the risk of exploration in the Basin. However it is an areally large basin, and sedimentary patterns vary with distance from the paleo emergent areas.

No previous drilling has been undertaken in PEL 422, is located over the Nelyambo and most eastern of the Darling Basin sub-basins. The seismically defined Burramwood Prospect is ready to drill, although it would benefit from an additional seismic line to more accurately define the crest. However the existing seismic coverage proves that fault dependent structural closure is present. This prospect will require a deep and costly well to evaluate it. Burramwood is set up on the south-western and up-thrown side block of a high angle reverse fault. The well will drill through a shallow very late high angle reverse fault above, but independent of the structural integrity, of the trap.

If successful this very large prospect could discover an undiscovered potential oil resource of some 350 MMbbls in place in the primary target, the Snake Cave Formation.

The large Kinindee Lead, which requires seismic delineation, is also present in this tenement, to the north-east of the Burramwood Prospect.

Given the lack of success in previous drilling, and more especially the results of the Nyngynderry-1 well in the former permit PEL 8, these prospects must be regarded as high risk.

PEL 424 (Onshore Darling Basin, New South Wales)

The same general comments on the Darling Basin above apply to PEL 424.

This tenement overlies the Pondie Range Sub-basin in the north central sector of the basin. One prospect, Netallie, and three leads, Goona Goona, The Avenue and Polpah have also been identified in the north of the permit, and north of Netallie.

The prospect is sited on the northern and downthrown block of an east-west trending normal fault, and the crest is defined. The structure has been affected by later compressive faulting, which has amplified the closure and vertical relief of the structure. Netallie 1 will essentially twin, but penetrate, deeper section than the old Pondie Range 1 well. Pondie Range 1 did not penetrate the Snake Cave Formation, the primary target in the basin. The proposed well will intersect the Snake Cave Formation at a shallower depth than at Nyngynderry1. Deeper targets are also identified.

If successful this large prospect, which covers a huge area, could host significant hydrocarbons in the Snake Cave Formation, the primary target.

Again, given the lack of success in previous drilling, and more especially the results of the Nyngynderry-1 well in the former permit PEL 8, this prospect must be regarded as high risk.

PEL 471 (Onshore Darling Basin, New South Wales)

The same general comments on the Darling Basin above apply to PEL 471

The Darling Basin is one of Australia's largest sedimentary basin covering approximately 100, 000 km^2. It contains in the order of 12 km of sedimentary section of Silurian to Devonian age.

PEL 471 is located over the Bancannia Trough, the most westerly of the sub-basins located within the Basin. It is was awarded to Orion in May 2008 .This permit exhibits the most numerous and most significant hydrocarbon shows recorded from the basin.

Exploration currently, in the tenement, is at an early stage: however recently reprocessed seismic data shows the several leads, one of them being Jupiter North which is located up-dip of the previously drilled Jupiter 1 well, spudded in 1969. This well was not a valid structural test and no hydrocarbon shows are reported from the well. It reached total depth in the Late Devonian Snake Cave Formation. Marine sediments including evaporite, limestone, shale and glauconitic sandstones were intersected, these are correlated to the possible oil source interval reported from Bancannia 1.

Several leads are also identified in the north of the permit in the vicinity of Bancannia South 1 , drilled in 1968.High gas detector readings, methane cut water and oil staining are reported from this well. Large intervals of porous and permeable section was also reported from the Late Devonian section of the well. Fluid inclusion and soil gas sampling indicate the presence of source rocks within the Darling Basin, particularly the Bancannia Trough (=Sub – basin).

The virtually unexplored Bancannia Sub-basin appears to be the most prospective and promising sector of the Darling basin. Organic Cambrian rocks are also known to be present in the Bancannia Trough.

Further detailed work is required in this tenement. However it appears to be the area of the Darling Basin most likely to produce a discovery, although the acreage is undoubtedly of high risk category.

A GAS2GRID PROPERTIES

Hydrocarbon Prospectivity and Recent Drilling Results

EP 453 (Onshore Canning Basin, Western Australia)

This tenement, which covers 5,799 km^2, was awarded jointly to Pobelo P/L and Budside P/L in January 2007, after a Native Title Access Agreement was successfully negotiated. In March 2008 Gas2Grid acquired a 100 percent working interest in this block in consideration for 6 million Gas2Grid shares. An over-riding royalty interest of 3 percent is held by private interests.

The tenement is located in the Fitzroy Sub-basin of the Canning Basin of onshore WA. This sub-basin sustains all of the Canning Basin's production. The block is located near to, and south-east of, the Blina Oil Field, the best performing Canning Basin oil field. Hence in the event of an oil discovery, infra-structure is nearby. A number of pinnacle reef structural targets have been identified, and are being mapped, on recently reprocessed 1980's seismic data.

The postulated targets are Late Devonian aged sandstones which exhibit better reservoir quality than does the previous targets, Devonian carbonates. Two such clastic units showed indications of non-commercial accumulations of gas in the Chestnut 1 well, drilled in 1994, which is located in EP 453.

It should be noted that in Australian terms the onshore Canning Basin is regarded as high risk exploration territory, yielding no commercial discoveries over the last 20+ years.

SC 44 (Onshore Visayan Basin, Cebu Island, The Philippines)

Service Contract 44, which covers 750 km^2, is located in the onshore sector of the Visayan Basin on the island of Cebu. The Visayan Basin, a Tertiary to Recent aged basin of back arc genesis, is one of sixteen sedimentary basins in the Philippines. It is centred on Cebu Island, with the onshore sector of the basin constituting thirty percent of the total basin, forming the island of Cebu. In a similar vein to most South-east Asian basins extensive structuring caused by thrusting is present in the Visayan Basin.

Like Indonesia, the Caucuses, parts of the Middle East, Mexico and North America, oil seeps were the harbinger of rudimentary drilling on Cebu. The first well was drilled beside the Toledo oil seep in the late 1800's and it produced several barrels of oil per day from a depth less than 268 metres. An appraisal well drilled approximately 0.5 km away also produced oil.

An appreciable amount of drilling, based only on seeps and surface mapping, was conducted, with many reports of oil flows, until the mid 1970's when the Chinese Petroleum Corporation (CPC) of Taiwan recorded some widely spaced seismic data. They then drilled several wells, some quite shallow, several of which encountered oil shows and minor recoveries. Some later drilling was undertaken by western companies with similar results. A total of 41 wells, of which 9 are located in SC 44, have been drilled in the onshore Visayan Basin. All of this exploration was

quite rudimentary and did not have the benefit of today's improved seismic, drilling and formation evaluation techniques, yet many reports of oil are recorded.

The most important wells are the Malolos 1-4 wells drilled in the area of SC 44 in the 1960's. Malolos 1, the deepest well at 2748 metres, flowed gas to surface at rates, reported to be as high as 12 MMCFD from several sandstone reservoirs within the Malubog and Toledo Formations, and the Maingit Clastics of the Barili Formation. These formations are of Early, Middle and Late Miocene age respectively. Oil was also recovered from the Malubog Formation. The drill stem charts of the tests are no longer available.

Gas2Grid twinned Malolos 1, with its good hydrocarbon intersections, with Nuevo Malolos 1 in 2006. Unfortunately the same drilling, caving washouts and plugging that occurred at Malolos 1 happened at Nuevo Malolos 1 and the well had to be abandoned above the Malubog Formation. In spite of the drilling difficulties and hole integrity excellent oil shows were encountered in Nuevo Malolos 1, excellent porosity and permeability was encountered in the reservoir sections, so good that the "sand pile" collapsed on drilling and plugged up the tool on testing.

Gas2Grid believe that the shows in Nuevo Malolos 1 were so good and that the near well bore damage was so great that the well warrants remedial work, such as nitrogen cleanout, coiled tubing work-over, side tracking or a small fracture stimulation. Any of these options are possible as Nuevo Malolos 1 is cased to total depth, 1945 metres. Gas2Grid plan to re-enter Nuevo Malolos 1 and if the proposed remedial activities are successful then to re-enter Malolos 1, which is also cased to a deeper total depth of 2748 metres.

This tenement appears to have potential for hydrocarbons, primarily oil production.

St Griede Licence (onshore Aquitaine Basin, France)

The St Griede Licence, which covers an area of 1,238 kms^2 of the eastern onshore portion of the Aquitaine Basin of France, north and east of the city of Pau, was awarded to Gas2Grid and Gippsland Offshore Petroleum, in equal parts in April 2008.The tenement overlies the north-eastern portion of the basin, margin-ward of both oil and gas pools. Whilst no hydrocarbons have been discovered in the area of the St Griede Licence, the permit appears to be prospective and warrants further exploration.

Whilst the Mesozoic aged Aquitaine Basin is gas prone, producing approximately seventy percent of France's indigenous gas, it does produce oil. The spatial distribution of the gas and oil accumulations in the area is very promising, with the discovered hydrocarbons located immediately west of the St Griede Licence being oil, whereas further westward and basin-ward they are gas. This appears to be an empirical confirmation of Gussow's Principle, whereby late generated dry gas expels previously generated oil up dip and to the basin margins. Should this be the case then the tenement is more prospective for oil than for gas. Oil is more readily able to be developed and transported than is gas, it is more readily saleable and more profitable.

The Aquitaine Basin is one of France's most hydrocarbon productive basins, however very little, if any, exploration activity has occurred in the last decade. The basin has produced in excess of 13 TCF of gas and 450 MMbbls of oil. The consortium exploring the Licence is planning to review all appropriate data, acquire airborne gravity data, then seismically delineate any gravity induced structures and finally to drill the best delineated prospect.

There are many attractive features of exploration in France in general and the Aquitaine Basin in particular. The first is that there are minimal Government royalties and only a thirty percent tax on profits, nearby infra-structure, ready markets and gas prices several times those of Australia. The basin has been subjected to much thrusting and salt tectonism, hence it is known that structural traps exist.

6. METHODOLOGY

Any valuation of exploration acreage must deal with the problems of uncertainty and risk inherent in the very nature of the exploration sector of the petroleum industry. A variety of methods may be employed; these include:

(a) **NPV, EMV**

This is a valuation based on a financial model. The inputs are technical and economic assumptions which yield a series of cash flows; these are then discounted in order to recognise opportunity cost and the time value of money. The series of discounted cash flows are then summed in order to derive a net present value. This method is generally applicable when key variables have been determined in the lead up to a fully fledged feasibility study. These variables include resource size, contract terms including price and quantities, transport costs, capital expenditure and operating expenses. It is necessary to discount the derived value in order to allow for the degree of risk in the estimates or assumptions – this yields an 'expected monetary value' or EMV.

None of the Orion or Gas2Grid permits under consideration adequately meet these criteria.

(b) **Exploration Expenditure Commitment Method**

This is a crude technique which sums the value of the commitment program. The assumption implicit in this method is that the work program represents the minimum premium placed on the acreage by the permit holder. It may also be interpreted as the opportunity cost for a participant wishing to enter into exploration within the Basin concerned – in effect an 'entry cost'. In most cases it will be determined by market conditions at the time of application: these may vary markedly over time, and caution must be employed in applying terms which may be well out of date at the time of valuation. With the exception of periods of major industry downturn, or highly competitive bidding rounds, this technique will normally provide a conservative estimate.

(c) **Recent Commercial Transactions**

This method analyses and compares recent commercial transactions, ideally involving the property which is the subject of the valuation, or alternatively adjacent or nearby permits or prospects with similar prospectivity. Key assumptions are an arm's length transaction involving both a willing buyer and seller. Note that the value

is established by calculation of the premium the farminee pays, which is implicit in the terms of the farmout. This is different from the 'gross' amount paid by the farminee in earning its interest

Whilst such an approach is subject to prevailing market sentiment, it frequently provides the most realistic valuation available.

Where recent comparable transactions are not available or applicable the valuer may have recourse to an 'hypothetical farmout agreement', which draws on his knowledge of the prevailing market to arrive at a 'mostly likely' estimate of contract terms.

7. VALUATIONS

A ORION PETROLEUM PROPERTIES

7.1 PEL 6 Surat Bowen Basin NSW

(Orion 95-97.5% Conventional, 20-22.5% CBM)

(a) Exploration Expenditure Commitment Method

PEL 6 expires in early December of this year but an application for renewal has been lodged with the Authority for renewal without relinquishment. The renewal commitment consists of a 2 year program valued at between $4.7 and $7.3 million, with a contingent programme for years 3 and 4 of between $2.65 and $3.15 million. I anticipate Orion will need to farmout part of their substantial working interest, particularly with respect to the conventional programme.

Assessing only the firm programme, this yields a value of between $4.5 and $6.9 million for Orion's 95% interest. However I have applied a 10% discount to factor in the effect of the 5% royalty applying to most of the acreage.

This yields a value of between $4.2 million and $6.6 million

(b) Recent Commercial Transactions

The most recent commercial transaction relates to the coal seam gas potential, in August of 2008. This involved Eastern Star gas undertaking $2.05 million of exploration expenditure in order to earn a 75% working interest in the permit.

The premium implicit in these terms values Orion's 25% interest in the coal bed methane potential at $683 thousand.

I have valued the remaining conventional acreage by means of a hypothetical farm-in assuming an incoming party would earn between 40% and 50% interest by meeting the cost of 75 Km seismic and one well. This seems reasonable in view of the fact a drillable prospect, Toenda, has already been identified, (see above).

Assuming the cost of the seismic at $650k and the well at $2million, this yields a value for the conventional acreage portion of between $2.65 and $4 million. The total conventional and CBM value would thus lie in the range $3.3 million to $4.7 million. However I have applied a 10% discount to factor in the effect of the 5% royalty applying to most of the acreage.

This yields a value of between **$3 million and $4.2 million**.

The values therefore range between $3 million and $6.6 million.

I have elected to select a near mid-range value of $5 million for the optimal value of Orion's interest in PEL 6

7.2 PEL 427 Surat Bowen Basin NSW (Orion 75% Conventional, 25% CBM)

a. Exploration Expenditure Commitment Method

PEL 427 was recently renewed for a 3 year period expiring 20 May 2011.
The total work commitment is estimated at $1.335 million, of which $235,000 has been spent on the drilling of the Moree-4 corehole. It is intended that virtually all of this will be spent on CBM exploration, hence the 'conventional' portion becomes irrelevant.
Hence Orion's 25% interest of this portion equates to $333,375, say $333k

b. Recent Commercial Transactions

Again, Orion advise they will be pursuing CBM potential rather than conventional targets. Hence the terms of the farmin by ESG is the most relevant in setting the value of PEL 427. ESG paid 75% of the well cost of the Moree-4 well to earn a 50% interest. The well cost $650,000, hence EGS paid $488k for its 50% interest, i.e. $9760 per percentage point.
This values Orion's 25% working interest at $244k.

The values thus range between $244k and $333k
Of the two methods the commercial transactions are by far the hardest set of figures**. The Eastern Star farmin is recent,** and applies directly to the permit**, and I have therefore allocated a value of $244k for the optimal value PEL 427, reflecting the lower relevance of the conventional potential.**

7.3 PEL 455 Surat Bowen Basin NSW (Orion 100%)

(a) Exploration Expenditure Commitment Method

This permit was renewed for two years with a total work commitment of approximately $1.25 million.
There are no royalties applicable: accordingly ***the value of Orion's 100% interest calculates as $1.25 million by this method.***

(b) Recent Commercial Transactions

The recent farmin to CBM potential in the adjacent permit PEL 6 (see above) valued the CBM component of the permit at $2.7 million, i.e. $27,000 per percentage point. However PEL 455 is one third the size of PEL 6, and even a smaller percentage of the CBM fairway. Accordingly I have elected to ascribe a value of $9,000 per %age point, thus valuing the CBM acreage at $0.9 million.
Although Orion considers the conventional acreage to host several targets these present moderate to high risk potential, and the current exploration programme is focussed on CBM targets. Accordingly I have assigned only half the value of the CBM value to conventional exploration, i.e. $450k, giving a total value of $1.35 million.

I have elected to assign a optimal value equivalent to the mid point value between the two methods, i.e. $1.3 million.

7.4 PEL 428 Gunnedah Basin NSW
Orion 60% (Conventional targets) 20% CBM targets

(a) Exploration Expenditure Commitment Method
PEL 428 was recently renewed for a 2 year term expiring 14 September 2010. The work programme has not yet been finalised.

(b) Recent Commercial Transactions
This is a marginal permit, with lower prospectivity than the other Orion Surat-Bowen Basin permits. Once again Orion do not intend pursuing conventional exploration, preferring to concentrate on the CBM potential.
ESG farmed in to PEL 28 by contributing 60% of the cost of the Kurrabooma-1 corehole to earn 40%. The well cost was approximately $650k.
Thus ESG paid $390k to earn its 40% working interest.
The terms of such a farmin would thus value Orion's 20% interest in the permit at $195,000

In the absence of any additional data I have allocated a value of $195k to the permit.

7.5 PEL 422 Darling Basin NSW & PEL 424 Darling Basin NSW
Orion 100%

(a) Work Commitment Method

A joint renewal programme was submitted covering both these permits in January 2007, extending these permit terms by 3 years to January 2010. The total work commitment was costed at $170,000.
This yields a value for Orion's 100% interest in both permits of $170,000.
However I have applied a 20% discount to this figure to allow for the royalty factor, yielding a figure of $136,000 or $68,000 per permit.

(b) Recent Commercial Transactions
I am unaware of any commercial transactions relating to these permits or similar permits in the vicinity. Both these permits are at a very early stage of exploration, with an industry perception of high risk. Accordingly I have not attempted to construct a hypothetical farmin for valuation purposes. None-the-less it can be argued that the $680 per percentage point value derived from the work commitment method is somewhat conservative. Given the high risk nature of this acreage it would seem unlikely to demand more than $1,000 per percentage point, i.e. $100,000 per permit. Although this assessment is subjective and arbitrary, I consider it be a reasonable estimate of the higher end of the value range.

The valuation of each permit thus ranges between $68,000 and $100,000.
Accepting a mid range value of $84,000 per permit yields a value of $168,000, say $170,000 for the optimal value of the combined permits.

7.6 PEL 471 Darling Basin NSW Orion 100%

(a) Work Commitment Method
PEL 471 is a new permit granted in May 2009 for a two year term. The work commitment totals $325,000.

(b) Recent Commercial Transactions
The PEL 471 acreage of the Bancannia Trough has lain dormant for many years, and no commercial transactions relating to it or nearby acreage are available. However of all the Darling Basin permits PEL 471 would appear to have the best chance of being farmed out as a result of the prevalence of hydrocarbon shows. Accordingly I have attempted an hypothetical farmout.
I assume an incoming partner would wish to undertake seismic (55 km costing $250,000) to earn a 25% working interest. An option to earn an additional interest would then be appropriate, assuming the seismic matures a prospect.
This would value the Orion interest (75% after farmout) at $750,000

The valuation thus ranges between $0.325 million and 0.75 million
I consider the Commitment value to be excessively conservative for this key permit, and have elected to allot the figure of $750,000 to PEL 471.

B GAS2GRID

7.7 EP 453 Offshore Canning Basin (Gas2Grid 100%)

(a) Exploration Expenditure Commitment Method
At the renewal of EP 435 in 2007, the submitted work commitment was $1.4 million for a 5 year term.
This method thus values Gas2Grid's 100% interest in the permit at $1.4 million.
I have, however, discounted this value by 10% in order to factor in the effect of the royalty, thus ***yielding a value of $1.26 million.***

(b) Recent Commercial Transactions
The Canning Basin has not proved to be a popular area with petroleum explorers in the last decade, despite the occurrence of some encouraging but thus far non-commercial hydrocarbon shows (e.g. Point Torment)
The latest farm-in to Canning acreage reached agreement on terms of $3 million of expenditure (well and seismic) for a 75% interest, i.e. $40,000 per percentage point. Acceptance of such terms would value EP 435 at $4 million.
EP 435 has a good address in Canning Basin terms, being located close to the Blina field and associated infrastructure. However additional seismic will be required to mature drilling targets, and the exploration targets are now likely to be shallower Devonian sandstones, rather than the pinnacle reefs previously targeted . Accordingly I have adopted a more conservative figure of $2.5 million, which I have further discounted by 10% in order to factor in the effect of the royalty (3% GORR).

This yields a value of $2.25 million, acknowledging that this may increase in the future, depending on the results of seismic reprocessing and acquisition.

The values derived thus range between $1.26 and $2.25 million.

Again taking a mid point sum yields an optimal value of $1.755 million, say $1.8 million.

7.8 Service Contract 44 Philippines

(a) Exploration Expenditure Commitment Method

In 2008 Gas2Grid drilled the Nuevo Malolos-1 well, twinning the Malolos-1 well which recovered oil during testing in 1968. Expenditure to date has been $4.5 million, related to drilling the Nuevo Malolos-1 well, the rest on technical studies and administration. This year's workover programme comes in 2 phases, the first in workover of the Malolos-1 well, with an estimated cost of $300,000. Phase 2 involving more extensive workover, possibly involving the Nuevo Malols-1 well, will follow, at an estimated cost of $700,000. **The 100 km seismic programmed for this year has been delayed due to lack of an available contractor.**
In the next two years Gas2Grid are committed to the seismic, with an airborne gravity survey as an option, and 3 wells, at an estimated total cost of $2.5 million. This is a substantial programme totalling just on $9.5 million, which Gas2Grid have been pursuing vigorously, reflecting their faith in the prospectivity of the licence. In effect Gas2Grid are convinced they have a commercial discovery, which presents considerable challenges before it can be brought into production.

This method values the permit at $9.5 million

(b) Recent Commercial Transactions

(i)

The ability of the Gas2Grid to farmout would obviously depend on the success of the technical team's efforts to achieve commercial production.
At this early stage, however, Gas2Grid would seem unlikely to farmout on terms less than they have undertaken, provided they have the funds to maintain the exploration momentum. (I note that the merger would provide sufficient funds for the project).This would suggest minimum farmout terms would be around A$5.5 million to earn 50%, reflecting Gas2Grid's perception of the prospectivity of the permit.

This would value the permit at $5.5 million.

(ii)

I am aware of a current farmin offer, (which cannot be identified for reasons of commercial confidence) which valued the permit involved at $US5 million
At the current rate of exchange (0.90 as at 28.11.09) this is equivalent to A$5.5 million, virtually identical with case (i) above.

The range of values is thus $5.5 million- $9.5 million

I consider the work commitment valuation to be excessive in this case, and unable to be realised in a farmout unless there is success in the current workover programme.
***Accordingly I have chosen to select a more realistic optimal value for this permit of A$5.5 million*, whilst acknowledging that success in bringing the reservoir in SC 44 into production would increase the value markedly, whilst conversely failure would have the opposite effect.**

7.9 St Griede Licence Aquitaine Basin France

(a) Exploration Expenditure Commitment Method

The work commitment for the St Griede licence is $7 million, spread over 5 years from this year, an appropriate figure for a licence located in a productive basin, although no production is located within its boundaries at this stage The airborne gravity scheduled for 2009-10 is currently being acquired, and should prove crucial in identifying salt structuring prior to acquiring seismic.
Gas2Grid's 50% interest in this permit is thus valued at $3.5 million by this method.

(b) Recent Commercial Transactions

None available.

At this stage of exploration in the St Griede licence I am compelled to rely on the work commitment as the most reliable indicator of value.

Accordingly ***I have assigned a value of $3.5 million to Gas2Grid's 50% interest***.

TABLE 12

Summary of Valuations

PERMIT	VALUATION	OPTIMAL VALUE
PEL 6	$3-6.6 million	$5 million
PEL 427	$0.244 - $0.33 million	$0.24 million
PEL 455	$1.25-$1.35 million	$1.3 million
PEL 428	$0.195 million	$0.195 million
PEL s 422 & 424	$0.136-$0.2 million	$0.17 million
PEL 471	$0.35-$0.75 million	$0.75 million
Total Orion Properties	**$5.175- $9.425 million Say $5.1-9.4 million**	**$7.659 million say $7.7 million**
EP 453	$1.26 -$2.25 million	$1.8 million
St Griede Licence	$3.5 million	$3.5 million
SC 44	$5.5-$9.5 million	$5.5 million
Total Gas2Grid Properties	**$10.26- $15.25**	**$10.8 million**

8. SOURCES OF INFORMATION

In preparing this report I have relied on technical and financial information supplied by Orion and Gas2Grid, together with public domain data. Refer bibliography below.

9. TITLE

Verification of title was not within the brief of Mulready Consulting Services Pty Ltd in relation to this valuation.

10. INSPECTION

As is the case for exploration properties where there are no production faculties involved, no inspection of the petroleum properties included in this Report were undertaken.

11. PREVIOUS INDEPENDENT VALUATIONS

I have been advised in writing by the directors of Gas2Grid and Orion that they have not previously commissioned an independent valuation of any of these properties, other than a private valuation of EP 453 undertaken for Gas2Grid in early 2008.

12. INDEPENDENCE

Mulready Consulting Services Pty Ltd is not operating under an Australian financial services licence in giving this report.
$20,350 (GST inclusive) plus any out of pocket expenses is all the remuneration (including commission) or other benefits that might reasonably be expected to be or have been capable of influencing Mulready Consulting Services Pty Ltd in providing the advice. In this context, a nominated person is any of

(i) Mulready Consulting Services Pty Ltd
(ii) a related body corporate of Mulready Consulting Services Pty Ltd
(iii) a director or employee of Mulready Consulting Services Pty Ltd or a related body corporate of Mulready Consulting Services Pty Ltd
(iv) a director or employee of Mulready Consulting Services Pty Ltd or a related body corporate of Mulready Consulting Services Pty Ltd
(v) an associate of any of the above

Mulready Consulting Services Pty Ltd has for a total fee of $18,500(GST exclusive) plus out of pocket expenses provided a valuation report concerning the value of petroleum assets held by Gas2Grid and Orion
Otherwise there are

1. no other interests, whether pecuniary or not and whether direct or indirect, of Mulready Consulting Services Pty Ltd or any associate of Mulready Consulting Services Pty Ltd
2. no other associations or relationships between Mulready Consulting Services Pty Ltd or any associate of Mulready Consulting Services Pty Ltd and Orion or Gas2Grid that might reasonably be expected to be or have been capable of influencing Mulready Consulting Services Pty Ltd in providing this report.

Neither Mulready Consulting Services Pty Ltd nor any of its directors or employees has any beneficial interest in Gas2Grid or Orion, nor in any of the permits which are the subject of this valuation, nor in any adjacent permits.

13. QUALIFICATIONS

Jack N. Mulready graduated from the University of Melbourne with a B.Sc. (Geology) 1963, Dip. Ed.(1966) and B.A. (1999) and from R.M.I.T. with a Fellowship Diploma in Management in 1978. He has over 40 years of experience in both technical and management roles within the petroleum exploration and production industry in Australia, New Zealand, USA, Canada, Indonesia, China and PNG, and is currently a director of ASX registered company Fall River Resources Limited.
He is a member of the Petroleum Exploration Society of Australia, the Geological Society of Australia and the American Association of Petroleum Geologists (Certified APPG Geologist No. 5321), and is subject to the code of ethics of these organisations.
Over the last 24 years he has prepared numerous independent geologist's reports and valuations for a variety of Australian companies in accordance with the requirements of the Australian Stock Exchange.
He has undertaken the valuations included in this report and takes overall responsibility for the content and conclusions of the Report.
Accordingly he is the designated 'competent person' as required by section 5.11 of the ASX Listing Rules.

Jack Mulready
B.Sc., B.A., Dip. Ed., F.Dip. RMIT, MGSA, MPESA, Certified AAPG Geologist #5321.

Roger Meaney, Associate Consultant Petroleum Geologist, graduated from LaTrobe University with a B.Sc. (Honours) in Physics and a Diploma of Education in 1973. He later completed the requirements for a B.Sc. in Geology from the same institution, part time. He has more than 28 years experience in oil and gas exploration. He was employed as a Petroleum Geophysicist by Esso Australia Limited, AAR Limited and Santos Limited and worked in all facets of hydrocarbon exploration. He has extensive technical experience in both the onshore and offshore sectors of the industry in Australia and some in the United States of America, Canada and Papua New Guinea and in management. Roger also has experience in the coal bed methane drainage industry.

He is a member of the Society of Exploration Geophysicists and of the Petroleum Exploration Society of Australia, and is subject to the code of ethics of these bodies. Roger has completed several independent geologist's reports for Australian companies in accordance with the requirements of the Australian Stock Exchange.
He prepared the summaries of geological description of the permits included in this Report.

R.A. Meaney
B.Sc. (Hon), Dip. Ed., MSEG, MPESA

14. COMPLIANCE

This Report has been prepared in accordance with the requirements of the Valmin Code as revised 2005.

15. CONSENT

Mulready Consulting Services Pty Ltd gives consent to the attachment of this Valuation Report to Grant Thornton's Independent Expert Report, to be issued around December 2009, in the form and context in which it is presented.

16. DATE OF REPORT

This Report is dated 28th November 2009.

17. BIBLIOGRAPHY

Most of the technical data used to review these properties were "in house' technical notes provided by both of the companies, or material displayed on the Web pages of both Gas2Grid and Orion. The major sources of information were:-

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18. GLOSSARY

Aeromagnetic Survey	a programme whereby the magnetic character of the rocks in a given area is measured by means of an airborne instrument
Aerogravity Survey	a programme whereby the magnetic character of the rocks in a given area is measured by means of an airborne instrument
Anticline	a convex upwards fold in rocks
Basement	Unprospective rocks underlying a sedimentary basin
Basin	a depocentre for sediments resulting from local downwarping of the earth's crust
BCF (bcf)	one thousand million standard cubic feet. A measure of gas in place or recoverable gas
CBM	Coal Bed Methane – gas derived from coals
Cretaceous	a period in geological history about 65 to 141 million years past
Electric logs	a graphic representation of physical aspects of formations penetrated in a well
Farmin	an agreement by which an interest is acquired in an exploration permit
Fault	a fracture or fracture zone in rocks along which rocks on either side have moved relative to each other
Formation	a stratigraphic (rock) unit
Jurassic	a period in geological history about 141 to 205 million years past
MCF (mcf)	one thousand standard cubic feet. A measure of gas in place or recoverable gas
MCF/D (mcf/d)	one thousand standard cubic feet

	per day. A measure of flow rate
MMCFD	one million standard cubic feet per day
(mmcf/d)	a measure of flow rate
mmbbls	one million barrels
Notional cost of a work programme	Value of a work programme agreed with government. This cost is not a commitment: the commitment is the work itself which must be completed by the company or Joint Venture
Ordovician	a period in geological history about 440 to 505 million years past
Palaeozoic	a period in geological history about 251 to 545 million years past
Phanerozoic	a period in geological history about 545 million years past to the present
Porosity	the pore space between grains in a rock which is available for entrapment of fluids. Expressed as a percentage
Permeability	the ability of a rock to allow fluids to pass through it. Unit of measurement the darcy, more commonly expressed as millidarcy (md)
Permian	a period in geological history about 251 to 285 million years past
Reserves	Quantities of economically recoverable hydrocarbons estimated to be present within a trap
Reservoir	a subsurface volume of rock that has sufficient porosity and permeability to act as host for an hydrocarbon accumulation
Seal	an impervious layer of rock which prevents the escape of hydrocarbons from a reservoir
Seismic	a means of surveying subsurface rock structure utilising reflection of artificially created seismic waves
Self Sourcing Reservoir (“SSR”)	A self sourcing reservoir is part of a continuous oil pool which is sufficiently fractured to allow production of hydrocarbons from the source rock itself
Silurian	a period of geological history ranging from about 416 to 422 million years ago.
Source	A rock capable of generating hydrocarbons
Stratigraphy	The study of the composition, age,

	distribution and correlation of rocks
Structure	Features displayed by rock strata due to movement and consolidation after deposition
Subcrop	The ‘outcrop’ of a rock which has subsequently been buried and concealed by a younger formation
Tertiary	A period in geological history about 1.78 to 65 million years past
Triassic	A period in geological history about 205 to 251 million years past
Work commitment	Work programme for the term of a licence as agreed between partners in a Joint Venture or between a company/Joint Venture and a government authority

Appendix C – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounting projected cash flows

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the Weighted Average Cost of Capital is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Net asset backing / Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of listed securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

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Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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Grant Thornton

DATED **20 October 2009**

ORION PETROLEUM LIMITED
ABN 51 82 125 394 667

and

GAS2GRID LIMITED
ABN 46 112 138 780

CONFIDENTIALITY AND EXCLUSIVITY AGREEMENT

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CONFIDENTIALITY AND EXCLUSIVITY AGREEMENT dated 20 October 2009

1. **Orion Petroleum Limited ABN 82 125 394 667** of Suite 303, Level 3, 10 Bridge Street, Sydney, New South Wales 2000 (**Orion**); and
2. **Gas2Grid Limited ABN 46 112 138 780** c/- Mitchell and Partners of Level 7, 10 Barrack Street, Sydney, New South Wales 2000 (**Gas2Grid**)

Introduction

A. In consideration for entering into this Agreement, each party has agreed to provide Confidential Information to the other party for the Purpose and has agreed that any Confidential Information which it receives will be received on the terms of this Agreement.

B. The parties have agreed on the other matters set out in this Agreement in relation to a Proposed Transaction.

THE PARTIES AGREE as follows:

1. Definitions and interpretation

1.1 Definitions

In this Agreement:

Agreement means this agreement and any schedule or annexure to it.

ASX means the ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it.

Authority includes any administrative, fiscal, governmental, semi-governmental, judicial, quasi-judicial authority or body or agency, department, commission, tribunal, or stock exchange.

Business Day means a day that is not a Saturday, Sunday or any other day which is a public holiday in the place where an act is to be performed or a payment is to be made.

Confidential Information means:

(a) all commercial, financial, legal and technical and other advice, correspondence, material, memoranda, opinions know-how and information concerning the business or affairs of a party or its Related Entities made available at any time (whether in written or electronic form or orally) by that party or its Representatives to the other party or its Representatives or Permitted Persons;

(b) notes, summaries, compilations, conclusions, calculations, computer records (including data, copies, models, reproductions and recordings) or other material in whatever form made or derived in whole or in part by a party or its Representatives or Permitted Persons from, or from inspection or evaluation of, any information of the type referred to in paragraph (a) above;

(c) the nature of any Proposed Transaction and the existence and contents of any meetings, discussions, negotiations or agreements between the parties and their respective advisers in relation to a Proposed Transaction;

(d) the fact of or reasons for any termination of discussions or negotiations between the parties and their respective advisers; and

(e) the existence and contents of this Agreement.

Corporations Act means the *Corporations Act 2001* (Cth).

Discloser, in relation to Confidential Information, means:

(a) the party (or its Related Entities) that makes available Confidential Information to the other party under paragraph (a) of the definition of Confidential Information;

(b) the party that was the original provider of Confidential Information which is dealt with under paragraph (b) of the definition of Confidential Information; and

(c) both parties in relation to Confidential Information within paragraphs (c) to (e) of the definition of Confidential Information.

End Date means 14 December 2009.

Exclusivity Period means the period from and including the date of this Agreement up to the earlier of:

(a) the End Date; or

(b) the termination of this Agreement in accordance with its terms.

Permitted Person has the meaning given in clause 3.1.

Proposed Transaction means a transaction agreed to by the parties pursuant to which the parties combine all or some part of their businesses, whether by way of scheme of arrangement, takeover, acquisition, any other form of merger or otherwise.

Purpose means conducting an assessment of whether and on what terms either Orion or Gas2Grid will pursue or support or will continue to pursue or support any Proposed Transaction, or seeking advice on the conduct of such an assessment.

Recipient, in relation to Confidential Information, means:

(a) for the purpose of paragraphs (a) and (b) of the definition of Confidential Information, the party to this Agreement other than the party that is the Discloser; and

(b) for the purpose of clauses paragraphs (c) to (e) of the definition of Confidential Information, both parties to this Agreement.

Related Entity of a party means another entity which is:

(a) related to the first entity within the meaning of section 50 of the Corporations Act;

(b) in any consolidated entity (as defined in section 9 of the Corporations Act) which contains the first entity; or

(c) any trust of which an entity described in paragraph (a) or (b) above is trustee.

Relevant Interest means:

(a) a relevant interest within the meaning of that term in the Corporations Act; and

(b) any derivative or financial product or transaction which is of a kind the Takeovers Panel would require to be disclosed in terms of its Guidance Note 20, although not otherwise conferring a relevant interest within the meaning of the Corporations Act;

Representative in relation to a party means a Related Entity of that party or an adviser, agent, contractor, director, employee, executive officer, principal, partner or secretary of that party or of a Related Entity of that party.

Restricted Securities has the meaning given in clause 10(a).

Third Party Proposal means in relation to a party, any expression of interest, proposal or offer in relation to a bid, scheme, joint venture, dual listed company structure, stapled securities structure or other synthetic merger, purchase of a main undertaking, share issue or other similar reorganisation by any person under which if the interest, proposal or offer is entered into or completed a person other than the other party and its Representatives:

(a) (together with the person's Associates) may acquire a Relevant Interest in more than 20% of one or more classes of securities of the party;

(b) may acquire Voting Power of more than 20% in the party's share capital;

(c) may acquire, directly or indirectly any interest (including legal, equitable or economic) in all or a material part of the business or assets (on a consolidated basis) of the party;

(d) may otherwise merge or amalgamate with the party; or

(e) may acquire control (as determined in accordance with section 50AA of the Corporations Act) of the party.

For the purposes of paragraph (c) above, the acquisition of an interest in a part of the business or assets (on a consolidated basis) of a party will be material if:

(a) the relevant business or businesses contribute 20% or more of the consolidated net profit after tax of the party; or

(b) the assets represent 20% or more of the total consolidated assets of the party; and

Voting Power has the meaning given by section 610 of the Corporations Act.

1.2 Interpretation

In this Agreement:

(a) headings are for convenience only and do not affect interpretation;

(b) and unless the context indicates a contrary intention;

(c) person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;

(d) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation;

(e) a reference to a document (including this agreement) is to that document as varied, novated, ratified or replaced from time to time;

(f) a reference to a statute includes its delegated legislation and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;

(g) a word importing the singular includes the plural (and vice versa), and a word indicating a gender includes every other gender;

(h) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this agreement, and a reference to this agreement includes all schedules, exhibits, attachments and annexures to it;

(i) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;

(j) includes in any form is not a word of limitation; and

(k) a reference to $ or dollar is to Australian currency.

1.3 Consents or approvals

If the doing of any act, matter or thing under this Agreement is dependent on the consent or approval of a party or is within the discretion of a party such consent or approval may be given or such discretion may be exercised conditionally or unconditionally or withheld by the party in its absolute discretion.

2. Confidentiality

2.1 Obligations of Recipient

Except as permitted by this Agreement, each party undertakes and covenants (on its own behalf and on behalf of its Permitted Persons and Representatives) with the other party to:

(a) hold the Confidential Information in strict confidence and not disclose the Confidential Information, nor communicate any opinion regarding the Confidential Information, to any person;

(b) keep Confidential Information out of any computer, database or other electronic means of data or information storage except for a computer, database or other electronic means of data or information storage controlled by any one or more of the Recipient and any Permitted Person;

(c) not make use of any Confidential Information for any purpose other than the Purpose and, in particular, not make use of any Confidential Information to the competitive disadvantage of the Discloser or its Related Entities;

(d) establish and maintain effective security measures to safeguard all Confidential Information from unauthorised access, use, reproduction or disclosure and use the same degree of care as it uses to protect its own confidential information or which a prudent person would use to protect that person's confidential information (whichever standard is higher);

(e) not make copies, reproductions, recordings or extracts of the Confidential Information except as reasonably necessary for the review of the Confidential Information by a Permitted Person in carrying out the Purpose;

(f) promptly notify the Discloser of any potential, suspected or actual use, disclosure, copying, reproduction, recording or extracting of the Confidential Information by the Recipient or a Representative of the Recipient not permitted by this Agreement; and

(g) promptly do anything reasonably required by the Discloser to prevent or restrain a breach or suspected breach of this Agreement or any infringement or suspected infringement of the Discloser's rights arising out of this Agreement by any person, whether by court proceedings or otherwise.

3. Permitted Persons

3.1 Disclosure to Permitted Persons

The Recipient may disclose the Confidential Information to:

(a) its Representatives;

(b) any professional or business advisers to the Recipient or a Related Entity who have/has been retained to advise in relation to any Proposed Transaction; and

(c) the Recipient's or a Related Entity's proposed bankers and financiers in relation to a Proposed Transaction,

(each a Permitted Person), in each case only to the extent that the Permitted Person reasonably requires access to the Confidential Information for the Purpose.

3.2 Recipient responsible for acts of Permitted Persons

(a) The Recipient must procure that each Permitted Person undertakes to comply with the obligations and covenants of the Recipient under this Agreement as if such person were the Recipient under this Agreement.

(b) If any Permitted Person of the Recipient fails to comply with the obligations and covenants under this Agreement that failure will be deemed to be a breach of this Agreement by the Recipient, and the Discloser will be entitled to all remedies available to it under this Agreement or at law or in equity as if the failure of the Permitted Person to comply with such obligation or covenant was a breach of that obligation or covenant by the Recipient.

3.3 Ceasing to be a Permitted Person

When the Recipient becomes aware that a Permitted Person has ceased to be a Permitted Person it must immediately take possession of all Confidential Information in the possession, power or control of that person except to the extent that such person is entitled to keep a copy of that Confidential Information under clause 5 of this Agreement.

4. Exceptions

4.1 Information not confidential

This Agreement does not prevent the Recipient or its Related Entities from using and disclosing Confidential Information which:

(a) at the time of the first disclosure to the Recipient by the Discloser was already in the lawful possession of the Recipient or one of its Related Entities and which was not at the time of such disclosure the subject of any obligation of confidentiality owed by the Recipient or its Related Entities to the Discloser or its Related Entities;

(b) is or becomes generally available otherwise than by disclosure in breach of the terms of this Agreement or any other obligation of confidence owed by the Recipient or its Related Entities to the Discloser or its Related Entities;

(c) becomes available to the Recipient or a Related Entity of the Recipient from a third person legally entitled to possess the information and provide it to the Recipient or Related Entity without breaching any obligation of confidentiality in relation to such information;

(d) is derived by the Recipient or its Representatives independently of and without reference to any Confidential Information; or

(e) is required to be included in material provided to its shareholders in relation to any notice of meeting of its shareholders, bidder's statement or target's statement (as the case may be).

4.2 Required disclosure

The Recipient may disclose Confidential Information where disclosure of such Confidential Information is required by mandatory operation of law (including pursuant to an order, rule, regulation or policy of any Authority) if:

(a) the Recipient, as promptly as possible, informs the Discloser when it becomes subject to such disclosure obligation or anticipates or has cause to anticipate that it will become subject to such disclosure obligation;

(b) the Recipient consults with the Discloser, prior to disclosure, as to the form and content of any disclosure, unless immediate disclosure is required by mandatory operation of law (including pursuant to an order, rule, regulation or policy of any Authority), in which case such consultation will not be required except as may be consistent with that requirement;

(c) except as may be necessary in the reasonable opinion of the Recipient, after consulting with the Discloser, to comply fully with any mandatory operation of law (including an order, rule, regulation or policy of any Authority), the Recipient uses its reasonable endeavours to oppose or restrict disclosure, or to make disclosure on terms which will preserve as far as possible the confidentiality of the Confidential Information;

(d) except as may be necessary in the reasonable opinion of the Recipient, after consulting with the Discloser, to comply fully with any mandatory operation of law (including an order, rule, regulation or policy of any Authority), the Recipient takes such steps as reasonable to permit the Discloser to have a reasonable opportunity to oppose or to restrict such disclosure by lawful means; and

(e) the Recipient gives all reasonable assistance and cooperation which the Discloser reasonably considers necessary to prevent or minimise the disclosure of the Confidential Information except any disclosure that may be necessary in the reasonable opinion of the Recipient, after consulting with the Discloser, to comply fully with any mandatory operation of law (including an order, rule, regulation or policy of any Authority).

5. Return or destruction of Confidential Information

5.1 Return or destruction

Subject to clause 5.4, within 2 Business Days of receiving a demand in writing from the Discloser the Recipient must at its own expense:

(a) deliver to the Discloser, or at the option and direction of the Discloser destroy, all hard copy documents and other materials containing Confidential Information (within paragraphs (a) or (b) of the definition of Confidential Information) in the possession, power or control of the Recipient or its Permitted Persons (whether or not it was created by the Recipient or its Permitted Persons); and

(b) delete any Confidential Information (within paragraphs (a) or (b) of the definition of Confidential Information) that

has been entered into a computer, database or other electronic means of data or information storage by or on behalf of the Recipient or its Permitted Persons (whether or not it was created by the Recipient or its Permitted Persons), but only to the extent reasonably practicable to do so.

5.2 Certificate

As soon as the return, destruction or deletion of the documents and other materials has taken place in accordance with clause 5.1, a director of the Recipient must provide a certificate to the Discloser in a form and substance reasonably satisfactory to the Discloser verifying that:

(a) to the best of the Recipient's knowledge, all of the documents and other materials required to be returned or destroyed pursuant to clause 5.1 have been so returned or destroyed; and

(b) if any further documents or other materials required to be returned or destroyed pursuant to clause 5.1 are found they will be so returned or destroyed forthwith.

5.3 Effect of return of information

The return, destruction or deletion of the Confidential Information in accordance with clause 5.1 or retention of copies under clause 5.4 does not release the Recipient from its obligations under this Agreement.

5.4 Exception to return or destruction of Confidential Information

The Recipient and its Permitted Persons are not required to return, destroy or delete any documents or other material constituting Confidential Information:

(a) to the extent that the Recipient or its Permitted Persons are required by law, or the orders, rules, regulations or policies of any Authority or self-regulating professional body to whose rules the relevant person is subject, to keep it;

(b) that is contained in any of the Recipient's (or its Permitted Persons') internal board or executive committee papers relating to the evaluation of and decisions in respect of a Proposed Transaction prepared and kept in accordance with their usual practices; or

(c) that is stored electronically by any of the Recipient or its Permitted Persons pursuant to an existing routine data back-up or data logging or record keeping exercise so long as access to the Confidential Information is restricted to the maximum extent reasonably practicable and limited to a reasonable group of system administrators and compliance officers and no attempt is made to recover the Confidential Information except as required by law, or the orders, rules, regulations or policies of any Authority or self-regulating professional body to whose rules the relevant person is subject,

provided that such information is kept in a secure manner in accordance with the terms of this Agreement.

6. Recipient's dealings with third parties

6.1 Enquiries of third parties

The Recipient must not and must procure that its Permitted Persons and Representatives do not, directly or indirectly, without the prior written consent of the Discloser:

(a) discuss the Confidential Information with, or make enquiries concerning the Confidential Information of, any director or other officer, current or former employee, adviser, consultant, creditor, shareholder, customer, supplier, financier, landlord, tenant or co-venturer of the Discloser or any of its Related Entities; or

(b) other than in the ordinary course of business, make enquiries concerning or relating to the Discloser of any person referred to in clause 6.1(a),

unless such person is a Permitted Person of the Recipient.

7. Exclusivity

7.1 Termination of existing discussions

Each party represents and warrants to the other that other than the discussions with the other party, it is not at the date of this Agreement in negotiations or discussions in respect of any Third Party Proposal.

7.2 Exclusivity

Subject to the remainder of this clause, during the Exclusivity Period, Orion and Gas2Grid must not, and must use their best endeavours to ensure that their respective Representatives do not, except with the prior consent of the other party:

(a) solicit, initiate, encourage, facilitate or invite directly or indirectly any enquiries, negotiations, communications discussions or proposals in relation to, or which may reasonably be expected to lead to, a Third Party Proposal for that party;

(b) participate in any discussions or negotiations or respond to enquiries or communications in relation to, or which may reasonably be expected to lead to, a Third Party Proposal for that party or the Proposed Transaction not proceeding;

(c) enter into any agreement, arrangement or undertaking in relation to or which may reasonably be expected to lead to a Third Party Proposal;

(d) furnish to any person any information, or otherwise assist or cooperate in any way with any person, in connection with or for the purposes of a Third Party Proposal;

(e) approve, recommend or endorse, or propose to approve, recommend or endorse, any Third Party Proposal; or

(f) communicate to any person an intention to do any of the things referred to in clauses 7.2(a) to 7.2(e).

7.3 Notification of approaches

(a) Subject to the remainder of this clause, during the Exclusivity Period, each party must notify the other party of:

(i) any approach, inquiry or proposal made to, and any attempt or any intention on the part of any person to initiate or continue any negotiations or discussions with, Orion or Gas2Grid or any of their respective Representatives with respect to, or that could reasonably be expected to lead to, any Third Party Proposal, whether unsolicited or otherwise, including details of the relevant event, the identity of the person, details of all material communications with such person, and terms of the Third Party Proposal (to the extent known);

(ii) any request for information relating to Orion or Gas2Grid or any of their businesses or operations or any request for access to the books or records of Orion or Gas2Grid, which Orion or Gas2Grid (as applicable) has reasonable grounds to suspect may relate to a current or future Third Party Proposal, including details of the information requested, the identity of the person, details of all material communications with such person, and terms of the Third Party Proposal (to the extent known);

(iii) any breach of this clause 7.3; and

(iv) any provision by Orion or Gas2Grid or any of their respective Representatives of any information relating to Orion or Gas2Grid (as applicable) or any of their businesses or operations to any person in connection with or for the purposes of a current or future Third Party Proposal, including details of all information provided, the identity of the person, details of all material communications between such person and Orion or Gas2Grid (as applicable) (or their respective Representatives).

7.4 Normal provision of information

Nothing in this clause 7 prevents a party or its Representatives from:

(a) providing information to its Representatives;

(b) providing information required to be provided by law, a court or any Authority; or

(c) making presentations to brokers, portfolio investors and analysts in the ordinary and usual course of business.

7.5 Fiduciary carve-out

Clauses 7.2(b) to 7.2(f) and 7.3(a) do not require Orion or Gas2Grid or any of their respective directors to do or refrain from doing any thing with respect to a bona fide Third Party Proposal (which was not solicited by the party in breach of clause 7.2(a)), provided that the Orion Board or Gas2Grid Board (as applicable) has determined in good faith and acting reasonably after consultation with its financial advisers and receiving written legal advice by external legal advisers, that failing to respond to such Third Party Proposal would likely constitute a breach of the directors' fiduciary or statutory obligations.

8. Proprietary rights and remedies

8.1 Intellectual Property rights

Subject to any further written agreement between the parties, the parties acknowledge and agree that:

(a) as between the Discloser and the Recipient, the Discloser is the owner of any and all copyright and other intellectual property rights in the Confidential Information;

(b) as between the Discloser and the Recipient, any and all copyright and other intellectual property rights in the Confidential Information are and will, subject to any Proposed Transaction, remain the exclusive property of the Discloser and all such rights are reserved; and

(c) no licence or other rights are granted to the Recipient by the disclosure of any information under this Agreement.

8.2 Remedies

The parties acknowledge and agree that any unauthorised use or disclosure of the Confidential Information or any part of it in breach of this Agreement and any other breach of the terms of this Agreement may cause irreparable harm to the Discloser, which includes harm to a co-venturer of the Discloser, and that damages may be inadequate compensation for breach of this Agreement. Consequently, each of the parties have the right, in addition to any other remedies available at law or in equity, to seek injunctive relief against the other party and any of its Representatives in respect of any breach, including deemed breach or threatened breach, of this Agreement by the other party or any of its Representatives.

8.3 Rights in equity

Any right that a party may have under this Agreement is in addition to, and does not replace or limit, any other right that the party may have in equity in respect of the Confidential Information.

9. Disclaimer

9.1 Warning

Subject to any further written agreement between the parties, the provision of the Confidential Information provided to a party by or on behalf of the other party in whatever form does not under any circumstances imply that the affairs and prospects of the other party, or any information affecting it, have been fully and correctly stated, or have not changed since provided, or since the date on which the Confidential Information is expressed to be applicable. Subject to any further written agreement between the parties, each party is on notice that the Confidential Information:

(a) does not take into account the investment objectives, financial situation or needs of the Recipient;

(b) does not provide all the information that the Recipient may require for the purposes of evaluating a Proposed Transaction, the Discloser and its businesses and is not intended to provide the sole or principal basis of any investment or credit decision;

(c) may not be considered as a recommendation by the Discloser in connection with a Proposed Transaction;

(d) may not be relied on in any way by the Recipient in assuming contractual or other obligations or liabilities, whether in relation to a Proposed Transaction or otherwise;

(e) may not include information on certain matters for reasons of commercial sensitivity, even though such information may be material to the Recipient;

(f) may contain estimates, forecasts and projections (**Forward Statements**) that are based on a number of economic and other assumptions which may prove to be incorrect or unreasonable, and that actual future results and operations could vary materially from the information contained in the Forward Statements; and

(g) may contain opinions based on the knowledge and approach of the persons forming the opinion at the date on which the opinion was formed, and which may not be appropriate in the light of subsequent knowledge or attitudes.

9.2 Disclaimer

Subject to any further written agreement between the parties, neither party nor their respective Representatives:

(a) makes or gives any representation, warranty or guarantee, whether express or implied, that the Confidential Information is accurate, current, reliable or complete, has or will be audited or independently verified, or that reasonable care has been or will be taken in compiling, preparing or furnishing it;

(b) makes or gives any representation, warranty or guarantee, whether express or implied, that any Forward Statements (as defined in clause 9.1(f)) will be achieved or proven correct, or that any assumptions or projections on which the Forward Statements are based are reasonable; or

(c) is obliged to inform the other party of any other information of which the first party becomes aware that may affect the Confidential Information, or to update or supplement the Confidential Information.

9.3 Exclusion of Liability

Subject to any further written agreement between the parties, the parties acknowledge and agree that:

(a) to the maximum extent permitted by law, no liability is accepted by either party for any loss or damage (whether foreseeable or not), however arising (including negligence), relating in any way to the provision of the Confidential Information, the failure to provide information of which the Discloser becomes aware, or the purported reliance on the Confidential Information by the Recipient or others;

(b) each party expressly releases and indemnifies the other from and against all claims, actions, damages, remedies or other matters, whether in tort (including negligence), contract or otherwise, arising from or in connection with the provision of, or any purported reliance on, the Confidential Information, or the failure to provide information of which the Discloser becomes aware, and it covenants that no claim or allegations will be made against the Discloser in relation to the Confidential Information; and

(c) it waives expressly any right which it may have to rely on the Confidential Information, and acknowledges that it will not rely on the Confidential Information to sue or to hold the other party liable in any respect.

10. Inside information

Each party will not, and will ensure that its Related Entities do not, contrary to Part 7.10, Division 3 of the Corporations Act:

(a) deal, or cause or procure another person to deal, in any Division 3 financial products (as that term is defined in section 1042A of the Corporations Act) of the other party or any of its Related Entities which are listed on the ASX or other recognised stock exchanges (**Restricted Securities**); or

(b) directly or indirectly communicate or cause Confidential Information to be communicated to another person if the party knows or ought reasonably to know that the other party would or would be likely to deal, or cause or procure another person to deal, in any Restricted Securities of the other party.

In this clause, deal includes apply for, acquire or dispose of, or enter into an agreement to apply for, acquire or dispose of, any Restricted Securities.

11. Process

11.1 No obligation to proceed with a Proposed Transaction

Except to the extent that the parties agree otherwise in any executed agreement relating to, or connected with any Proposed Transaction, the parties acknowledge and agree that there is no obligation for either party to proceed with any Proposed Transaction, even if the parties work together and take action, or refrain from taking action, on the assumption or an expectation that a Proposed Transaction will be agreed.

11.2 Right to withdraw from negotiations

Subject to any further written agreement between the parties, the parties acknowledge that each of the parties has the right at any time without notice to the other party to terminate any negotiations with the other party or any investigations by the first party in relation to the other party or any Proposed Transaction.

11.3 Costs

Subject to any further written agreement between the parties, each of Orion and Gas2Grid are responsible for its own costs and expenses incurred by it or its respective Representatives in relation to any negotiations with the other party or investigations of the Confidential Information or other party in connection with a Proposed Transaction.

12. Term

Unless otherwise specified, except in relation to clauses 2 and 3, the obligations of the parties under this Agreement will terminate upon the earliest to occur of:

(a) if an implementation agreement is entered into regarding a Proposed Transaction, then the completion of that Proposed Transaction (if the Proposed Transaction results in the acquisition of all the shares in, or assets of, one party by the other);

(b) the close of the Exclusivity Period.

If clause 12(b) has effect, the obligations of the parties under clauses 2 and 3 will terminate upon the date 24 months from the date of this Agreement.

13. Miscellaneous

13.1 Notices

Each communication (including each notice, consent, approval, request and demand), other than a disclosure of Confidential Information, under or in connection with this Agreement:

(a) must be in writing;

(b) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):

Orion

Name:	Orion Petroleum Limited
Address:	Suite 303, Level 3
	10 Bridge Street Sydney NSW 2000
Fax:	+61 9252 0255
For the attention of:	Mr Russell Langusch

Gas2Grid

Name:	Gas2Grid Limited
Address:	c/- Mitchell and Partners Level 7 10 Barrack Street Sydney NSW 2000
For the attention of:	[insert]

(c) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;

(d) must be delivered by hand or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 13.1(b); and

(e) is taken to be received by the addressee:

(i) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;

(ii) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;

(iii) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and

(iv) (in the case of delivery by hand) on delivery,

but if the communication is taken to be received on a day that is not a Business Day or after 5.00 pm, it is taken to be received at 9.00 am on the next Business Day.

13.2 Governing law

This agreement is governed by and must be construed according to the law applying in New South Wales.

13.3 Jurisdiction

Each party irrevocably:

(a) submits to the non-exclusive jurisdiction of the courts of New South Wales, and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Agreement; and

(b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 13.3(a).

13.4 Amendments

This Agreement may only be varied by a document signed by or on behalf of each party.

13.5 Waiver

(a) Failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this Agreement by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this Agreement.

(b) A waiver or consent given by a party under this Agreement is only effective and binding on that party if it is given or confirmed in writing by that party.

(c) No waiver of a breach of a term of this Agreement operates as a waiver of another breach of that term or of a breach of any other term of this Agreement.

13.6 Further acts and documents

Each party must promptly do all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by another party to give effect to this Agreement.

13.7 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this Agreement without the prior consent of the other party.

13.8 Counterparts

(a) This Agreement:

(i) may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this Agreement, and all together constitute one agreement; and

(ii) is binding on the parties on the exchange of counterparts.

(b) A copy of a counterpart sent by facsimile machine or electronic mail:

(i) must be treated as an original counterpart;

(ii) is sufficient evidence of the execution of the original; and

(iii) may be produced in evidence for all purposes in place of the original.

13.9 No representation or reliance

(a) Each party acknowledges that no party (nor any person acting on a party's behalf) has made any representation or other inducement to it to enter into this Agreement, except for representations or inducements expressly set out in this Agreement.

(b) Each party acknowledges and confirms that it does not enter into this Agreement in reliance on any representation or other inducement by or on behalf of any other party, except for representations or inducements expressly set out in this Agreement.

13.10 Expenses

Except as otherwise provided in this Agreement, each party must pay its own costs and expenses in connection with negotiating, preparing, executing and performing this Agreement.

13.11 Entire agreement

To the extent permitted by law, in relation to its subject matter, this Agreement:

(a) embodies the entire understanding of the parties, and constitutes the entire terms agreed by the parties; and

(b) supersedes any prior written or other agreement of the parties.

13.12 Indemnities

(a) Each indemnity in this agreement is a continuing obligation, separate and independent from the other obligations of the parties, and survives termination, completion or expiration of this Agreement.

(b) It is not necessary for a party to incur expense or to make any payment before enforcing a right of indemnity conferred by this Agreement.

(c) A party must pay on demand any amount it must pay under an indemnity in this Agreement.

13.13 Severance

If any provision or part of a provision of this Agreement is held or found to be void, invalid or otherwise unenforceable (whether in respect of a particular party or generally), it will be deemed to be severed to the extent that it is void or to the extent of voidability, invalidity or unenforceability, but the remainder of that provision will remain in full force and effect.

13.14 Reasonable

The parties acknowledge that the terms of this Agreement are reasonable and necessary to protect the valuable commercial interests of the parties in the Confidential Information.

EXECUTED as an agreement.

Executed by **ORION PETROLEUM LIMITED ABN 82 125 394 667** in accordance with section 127 of the *Corporations Act 2001* (Cth):)

Director

Director

RUSSELL LANGUSCH

Name of Director/Company Secretary
(BLOCK LETTERS)

ASHLEY EDGAR

Name of Director
(BLOCK LETTERS)

Executed by **GAS2GRID LIMITED ABN 46 112 138 780** in accordance with section 127 of the *Corporations Act 2001* (Cth):)

Director

Director

PATRICK SAMPLE

Name of Director
(BLOCK LETTERS)

DAVID A MUNNS
Name of Director
(BLOCK LETTERS)

ANNEXURE A – GAS2GRID ASX ANNOUNCEMENTS SINCE 30 JUNE 2009

Date	Event
15/12/2009	Company Update
7/12/2009	Change in substantial holding
30/11/2009	Change of Director's Interest Notice
30/11/2009	Change of Director's Interest Notice
30/11/2009	Change in substantial holding
30/11/2009	Change in substantial holding
30/11/2009	Appendix 3B
27/11/2009	Results of Meeting
27/11/2009	Chairman`s Address to Shareholders
27/11/2009	AGM Presentation
05/11/2009	OIP: Recommended Merger Proposal
05/11/2009	Orion to Acquire all Shares and Options in Gas2Grid
29/10/2009	Quarterly Activities Report
29/10/2009	Quarterly Cashflow Report
26/10/2009	Notice of Annual General Meeting/Proxy Form
26/10/2009	2009 Annual Report
16/10/2009	Change in substantial holding
15/10/2009	OIP: Proposed Transaction
15/10/2009	Proposed Transaction
13/10/2009	Final Director`s Interest Notice
13/10/2009	Initial Director`s Interest Notice
09/10/2009	Board Changes
06/10/2009	Company Update October 2009
30/09/2009	Annual Report to shareholders
02/09/2009	Presentation to Good Oil Conference
31/07/2009	Quarterly Activities and Cashflow Reports
20/07/2009	Becoming a substantial holder
08/07/2009	Appendix 3B / Section 708A Notice
07/07/2009	Share Placement
01/07/2009	Company Update

ANNEXURE B – ORION ASX ANNOUNCEMENTS SINCE 30 JUNE 2009

Date	Event
16/12/2009	ESG: Bimonthly Drilling Report
14/12/2009	Appendix 3B – Application to list previously restricted shares
30/11/2009	Restricted Securities
27/11/2009	GGX: AGM Presentation
26/11/2009	Managing Director's Review at AGM
26/11/2009	Chairman's Address to Shareholders
26/11/2009	Results of Meeting
16/11/2009	Spudding of Gwydir-1 Corehole
09/11/2009	Spudding of Gwyder-1 Corehole
06/11/2009	Company Update - Merger with Gas2Grid
05/11/2009	Recommended Merger Proposal
05/11/2009	GGX: Orion to Acquire all Shares and Options in Gas2Grid
22/10/2009	Quarterly Activities Report
22/10/2009	Notice of General Meeting/Proxy Form
22/10/2009	Annual Report to shareholders
21/10/2009	Initial and Final Director`s Interest Notices
15/10/2009	Proposed Transaction
15/10/2009	GGX: Proposed Transaction
09/10/2009	Appointment of Managing Director
02/10/2009	Director Appointment/Resignation
29/09/2009	CSG Drilling Update
24/09/2009	Full Year Statutory Accounts
02/09/2009	Managing Director`s Presentation to Good Oil Conference 2/9
23/07/2009	Quarterly Activities Report and Appendix 5B - 2Q09
06/07/2009	Response to ASX Price Query

GAS2GRiD

JOINT ASX ANNOUNCEMENT

5 November 2009

RECOMMENDED PROPOSAL FROM ORION TO ACQUIRE ALL SHARES AND OPTIONS IN GAS2GRID

Orion Petroleum Limited (**Orion**) (ASX: OIP) and Gas2Grid Limited (**Gas2Grid**) (ASX: GGX) have today entered into a Merger Implementation Agreement (**MIA**) whereby, subject to the requisite shareholder, optionholder and Court approvals, Orion will merge with Gas2Grid via two Schemes of Arrangement (**Schemes**). Under the proposed Schemes, each Gas2Grid:

- shareholder will receive 1 Orion share for every 2.25 Gas2Grid shares held; and
- optionholder will receive 1 Orion option for every 2.25 Gas2Grid options held.

The proposed share and option exchange ratios above approximate closely to the ratio of the volume-weighted average share prices (VWAP) of OIP to GGX over the last 90 day trading period. Notwithstanding the volatility of each individual share price over recent months, the VWAP ratios for the 90 day periods prior to the initial transaction announcement of 15 October 2009 and up to market close on 3 November 2009 both equate to a 2.26 equivalence.

General Meetings of Gas2Grid shareholders and optionholders to consider the merger with Orion are likely to be held in January 2010.

The proposed Schemes have the unanimous support of the directors of Gas2Grid without a material personal interest in the matter, and they intend to vote in favour of the proposed Schemes in the absence of a superior offer and recommend the Orion proposal in the absence of a superior offer.

The Boards of Orion and Gas2Grid believe that a successful merger will benefit all shareholders of the two companies with:

- An expanded and more diversified portfolio of granted exploration licences located in prospective Australian and international petroleum basins without having to compete with much larger oil and gas companies to acquire or undertake the usually lengthy process of applications;
- Immediate exposure to planned exploration and appraisal drilling activities in NSW and the Philippines over the next 12 months;
- Funds availability to pursue the planned exploration activities without recourse to capital raising in a financial market that is difficult for small exploration companies;
- A board and management with complementary skills and extensive experience in the technical, commercial and financial aspects of the international upstream oil and gas industry.

Key steps to be undertaken to implement the proposed transaction include:

- completion of satisfactory due diligence by each party on the other to be conducted over the next seven days

Gas2Grid Limited
ABN 46 112 138 780

Level 22 Goldfields House, 1 Alfred Street
Sydney, NSW 2000, Australia

T +61 2 9250 1810
F +61 2 9299 8195

- lodging Scheme documents with the Australian Securities and Investments Commission (**ASIC**);
- obtaining court approval to hold shareholder and optionholder meetings to vote on the Schemes;
- Gas2Grid shareholder and optionholder approval at the Schemes meetings and any necessary Orion shareholder approval; and
- if approval is obtained at the Gas2Grid shareholders' and optionholders' meetings and any necessary Orion shareholder meeting, the Court making orders approving the Schemes.

Gas2Grid shareholders and optionholders are not required to take any action in relation to this announcement or the proposed Schemes. Gas2Grid shareholders and optionholders will be provided with a Scheme booklet outlining the proposal in greater detail in due course.

Similarly, Orion shareholders are not required to take any action. If Orion shareholder approvals are required, a notice of meeting and explanatory material will be sent out in due course.

Key terms of the Merger Implementation Agreement entered into between Gas2Grid and Orion are set out in the attached Appendix.

Contacts:

Orion Petroleum Limited:

Russell Langusch - Managing Director
Telephone: 612 9254 9010
Mobile: 0411 725 858
Email:russell.langusch@orionpetroleum.com.au

Gas2Grid Limited

Patrick Sam Yue – Director
Telephone: 612 9250 1878
Mobile: 0407 376 688
Email: psy@gas2grid.com

Patrick Sam Yue
Director

BACKGROUND COMPANY INFORMATION

About Orion

Orion is an oil and gas exploration company with ambitions to become a mid-size petroleum exploration and production company. Orion operates seven conventional petroleum licences in the Surat-Bowen and Darling Basins of northern and western NSW. It is also evaluating the coal seam gas (**CSG**) potential of its four licences in the Surat-Bowen Basin through a farm-in agreement with Eastern Star Gas announced in August 2008.

In the Surat and Bowen Basins the Company has interests in PEL's 6, 427, 428 and 455 and in the Darling Basin it holds a 100% interest in PEL's 422 and 424 and the newly-awarded PEL 471.

Since listing on the ASX in late 2007, Orion has drilled two exploration wells, acquired two seismic surveys and participated in the drilling of two CSG core-holes. In May 2008, Willaroo-1 (PEL 6) recovered a small amount of oil on test, which was the first of its kind in NSW. Later that year the Nyngynderry-1 well was drilled in PEL 8 to a total depth of 2,266 m but was plugged and abandoned in October 2008 after failing to encounter hydrocarbons. PEL 8 was subsequently relinquished after post-drilling studies concluded that the licence contained limited remaining prospectivity.

Orion's footprint in the frontier Darling Basin has recently been consolidated following the award of PEL 471 in June 2009. Existing hydrocarbon indications with little previous exploration in the Darling Basin and its proximity to the Moomba-Sydney gas pipeline make it an attractive new exploration area.

About Gas2Grid

Gas2Grid holds the following exploration assets in the Philippines, France and Australia:

Philippines – Gas2Grid has re-entered and tested an oil and gas discovery well within Service Contract 44 (Malolos-1: TD 2,748 metres) and drilled, cased and suspended a new evaluation well (**Nuevo Malolos-1**). Nuevo Malolos-1 was successfully drilled to a total depth of 1,945 metres testing small amounts of both oil and gas before the well was cased and suspended for further evaluation.

France - Gas2Grid as Operator, in conjunction with Australian Securities Exchange (**ASX**) listed Gippsland Offshore Petroleum (**GOP**) holds an exploration licence for an area of 1,238 square kilometres within the Aquitaine Basin, south-western France. The licence was issued on 21 April 2008 for a period of six years to Gas2Grid (50%) and GOP (50%) as the St Griede licence. The licence commitment for the first two years includes seismic reprocessing and acquisition of an airborne gravity survey. The Company has commenced the committed exploration work.

Australia - In March 2008, Gas2Grid acquired 100% of Western Australian exploration licence EP 453, located in the Canning Basin. Existing seismic and well data has been re-processed and is being re-interpreted in order to identify new drilling prospects.

Appendix

Merger Implementation Agreement - Key Terms

The Merger Implementation Agreement (**MIA**) entered into by Gas2Grid and Orion imposes obligations on the parties to proceed with the proposed Schemes of Arrangement. This attachment summarises key points of the MIA.

1. Scheme Proposal

Gas2Grid will propose Schemes of Arrangement (Schemes) pursuant to which Orion will acquire all of the issued share capital and all issued options on a scrip for scrip basis. Under the proposed Schemes, each Gas2Grid:

1.1 shareholder will receive 1 Orion share for every 2.25 Gas2Grid shares held; and

1.2 optionholder will receive 1 Orion option for every 2.25 Gas2Grid options held.

(the Scheme Proposal). Shareholders or optionholders that are domiciled in jurisdictions other than Australia, its external territories or New Zealand will be deemed ineligible to participate in the Scheme Proposal.

2. Conditions

Completion of the Schemes is subject to conditions some of which are summarised below, with the full conditions to be set out in the scheme booklet:

2.1 the Gas2Grid directors without a material personal interest in the transaction unanimously stating that they intend to vote in favour of the Schemes and recommending the Scheme Proposal in the absence of a superior offer;

2.2 the obtaining of any approvals required from regulatory authorities (including ASIC and ASX) and government agencies which are necessary to implement the Schemes;

2.3 there being no orders made by a Court, the Takeovers Panel or regulatory authority that restrains implementation of the Schemes;

2.4 there being no event which could have a "material adverse effect" on Gas2Grid or Orion;

2.5 warranties or representations made by Gas2Grid or Orion under the MIA are true and correct.

The Schemes also require Court approval in accordance with section 411(4)(b) of the Corporations Act and the approval of shareholders and optionholders of Gas2Grid. If necessary, Orion shareholder approval will be sought.

3. Break Fee

3.1 Gas2Grid has agreed to pay Orion a break fee if the following occur:

(a) any Gas2Grid director withdraws his/her recommendation of the Schemes and one or both of the Gas2Grid shareholders approval and optionholders are subsequently not obtained, unless Gas2Grid was entitled to terminate the MIA, or unless an independent expert appointed by Gas2Grid gives an opinion that any one or both of the Schemes are not in the best interests of the Gas2Grid shareholders and/or optionholders.

(b) any Gas2Grid director publicly recommends a competing proposal prior to the termination of the MIA;

(c) a third party takes control of Gas2Grid or a substantial part of its assets;

(d) Orion terminates the MIA under certain circumstances.

The break fee payable by Gas2Grid is $100,000.

3.2 Orion has agreed to pay Gas2Grid a break fee if:

(a) Gas2Grid terminates the MIA for material breach by Orion;

(b) Orion causes the termination of the MIA except in certain circumstances; and

(c) a third party takes control of Orion or a substantial part of its assets.

The break fee payable by Orion is $100,000.

4. Termination

The MIA may be terminated in a number of circumstances, including:

4.1 by a party if the other party is in material breach of the MIA and has not rectified the breach within 7 business days after notice of the breach is given to it (or any shorter period ending at 5.00pm on the day before the second Court date); or

4.2 automatically, if the Court refuses to order the convening of the Schemes meetings and appeals are unsuccessful; or

4.3 automatically, if the shareholders and optionholders fail to approve the Schemes;

4.4 automatically, if the Schemes do not become effective on or before the nominated end date.

Confidentiality and Exclusivity – Key Terms

Under the terms of a separate confidentiality and exclusivity agreement, until the earlier of 14 December 2009 or implementation of the Schemes, Gas2Grid must not:

1. solicit, initiate, encourage, facilitate or invite any third party proposals;
2. participate in discussions or negotiations that may reasonably be expected to lead to a third party proposal;
3. enter into any agreement, arrangement or understanding that may reasonably be expected to lead to a third party proposal;
4. furnish any information that may assist a third party proposal; or
5. approve or endorse any third party proposal;

and must advise Orion of:

6. any approach by a third party;
7. any provision or request of information by a third party; and
8. the identity of the third party and details of all information provided.

However, the above obligations (other than the obligations not to solicit, initiate, encourage, facilitate or invite) are subject to a fiduciary carve-out.

ORION PETROLEUM LIMITED

5 November 2009

RECOMMENDED PROPOSAL FROM ORION TO ACQUIRE ALL SHARES AND OPTIONS IN GAS2GRID

ORION PETROLEUM LIMITED

Orion Petroleum Limited (**Orion**) (ASX: OIP) and Gas2Grid Limited (**Gas2Grid**) (ASX: GGX) have today entered into a merger implementation agreement whereby, subject to the requisite shareholder, optionholder and Court approvals, Orion will merge with Gas2Grid via two Schemes of Arrangement (**Schemes**). Under the proposed Schemes, each Gas2Grid:

- shareholder will receive 1 Orion share for every 2.25 Gas2Grid shares held; and
- optionholder will receive 1 Orion option for every 2.25 Gas2Grid options held.

The proposed share and option exchange ratios above approximate closely to the ratio of the volume-weighted average share prices (VWAP) of OIP to GGX over the last 90 day trading period. Notwithstanding the volatility of each individual share price over recent months, the VWAP ratios for the 90 day periods prior to the initial transaction announcement of 15 October 2009 and up to market close on 3 November 2009 both equate to a 2.26 equivalence.

General Meetings of Gas2Grid shareholders and optionholders to consider the merger with Orion are likely to be held in January 2010.

The proposed Schemes have the unanimous support of the directors of Gas2Grid without a material personal interest in the matter, and they intend to vote in favour of the proposed Schemes in the absence of a superior offer and recommend the Orion proposal in the absence of a superior offer.

The Boards of Orion and Gas2Grid believe that a successful merger will benefit all shareholders of the two companies with:

- An expanded and more diversified portfolio of granted exploration licences located in prospective Australian and international petroleum basins without having to compete with much larger oil and gas companies to acquire or undertake the usually lengthy process of applications;
- Immediate exposure to planned exploration and appraisal drilling activities in NSW and the Philippines over the next 12 months;
- Funds availability to pursue the planned exploration activities without recourse to capital raising in a financial market that is difficult for small exploration companies;
- A board and management with complementary skills and extensive experience in the technical, commercial and financial aspects of the international upstream oil and gas industry.

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Key steps to be undertaken to implement the proposed transaction include:

- completion of satisfactory due diligence by each party on the other to be conducted over the next seven days
- lodging Scheme documents with the Australian Securities and Investments Commission (ASIC);
- obtaining court approval to hold shareholder and optionholder meetings to vote on the Schemes;
- Gas2Grid shareholder and optionholder approval at the Schemes meetings and any necessary Orion shareholder approval; and
- if approval is obtained at the Gas2Grid shareholders' and optionholders' meetings and any necessary Orion shareholder meeting, the Court making orders approving the Schemes.

Gas2Grid shareholders and optionholders are not required to take any action in relation to this announcement or the proposed Schemes. Gas2Grid shareholders and optionholders will be provided with a Scheme booklet outlining the proposal in greater detail in due course.

Similarly, Orion shareholders are not required to take any action. If Orion shareholder approvals are required, a notice of meeting and explanatory material will be sent out in due course.

Key terms of the Merger Implementation Agreement entered into between Gas2Grid and Orion are set out in the attached Appendix.

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BACKGROUND COMPANY INFORMATION

About Orion

Orion is an oil and gas exploration company with ambitions to become a mid-size petroleum exploration and production company. Orion operates seven conventional petroleum licences in the Surat-Bowen and Darling Basins of northern and western NSW. It is also evaluating the coal seam gas (**CSG**) potential of its four licences in the Surat-Bowen Basin through a farm-in agreement with Eastern Star Gas announced in August 2008.

In the Surat and Bowen Basins the Company has interests in PEL's 6, 427, 428 and 455 and in the Darling Basin it holds a 100% interest in PEL's 422 and 424 and the newly-awarded PEL 471.

Since listing on the ASX in late 2007, Orion has drilled two exploration wells, acquired two seismic surveys and participated in the drilling of two CSG core-holes. In May 2008, Willaroo-1 (PEL 6) recovered a small amount of oil on test, which was the first of its kind in NSW. Later that year the Nyngynderry-1 well was drilled in PEL 8 to a total depth of 2,266 m but was plugged and abandoned in October 2008 after failing to encounter hydrocarbons. PEL 8 was subsequently relinquished after post-drilling studies concluded that the licence contained limited remaining prospectivity.

Orion's footprint in the frontier Darling Basin has recently been consolidated following the award of PEL 471 in June 2009. Existing hydrocarbon indications with little previous exploration in the Darling Basin and its proximity to the Moomba-Sydney gas pipeline make it an attractive new exploration area.

About Gas2Grid

Gas2Grid holds the following exploration assets in the Philippines, France and Australia:

Philippines – Gas2Grid has re-entered and tested an oil and gas discovery well within Service Contract 44 (Malolos-1: TD 2,748 metres) and drilled, cased and suspended a new evaluation well (**Nuevo Malolos-1**). Nuevo Malolos-1 was successfully drilled to a total depth of 1,945 metres testing small amounts of both oil and gas before the well was cased and suspended for further evaluation.

France - Gas2Grid as Operator, in conjunction with Australian Securities Exchange (**ASX**) listed Gippsland Offshore Petroleum (**GOP**), holds an exploration licence for an area of 1,238 square kilometres within the Aquitaine Basin, south-western France. The licence was issued on 21 April 2008 for a period of six years to Gas2Grid (50%) and GOP (50%) as the St Griede licence. The licence commitment for the first two years includes seismic reprocessing and acquisition of an airborne gravity survey. The Company has commenced the committed exploration work.

Australia - In March 2008, Gas2Grid acquired 100% of Western Australian exploration licence EP 453, located in the Canning Basin. Existing seismic and well data has been re-processed and is being re-interpreted in order to identify new drilling prospects.

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APPENDIX

Merger Implementation Agreement - Key Terms

The Merger Implementation Agreement (**MIA**) entered into by Gas2Grid and Orion imposes obligations on the parties to proceed with the proposed Schemes of Arrangement. This attachment summarises key points of the MIA.

1. **Scheme Proposal**

   Gas2Grid will propose Schemes of Arrangement (**Schemes**) pursuant to which Orion will acquire all of the issued share capital and all issued options on a scrip for scrip basis. Under the proposed Schemes, each Gas2Grid:

   1.1 shareholder will receive 1 Orion share for every 2.25 Gas2Grid shares held; and

   1.2 optionholder will receive 1 Orion option for every 2.25 Gas2Grid options held,

   (the **Scheme Proposal**). Shareholders or optionholders that are domiciled in jurisdictions other than Australia, its external territories or New Zealand will be deemed ineligible to participate in the Scheme Proposal.

2. **Conditions**

   Completion of the Schemes is subject to conditions some of which are summarised below, with the full conditions to be set out in the scheme booklet:

   2.1 the Gas2Grid directors without a material personal interest in the transaction unanimously stating that they intend to vote in favour of the Schemes and recommending the Scheme Proposal in the absence of a superior offer;

   2.2 the obtaining of any approvals required from regulatory authorities (including ASIC and ASX) and government agencies which are necessary to implement the Schemes;

   2.3 there being no orders made by a Court, the Takeovers Panel or regulatory authority that restrains implementation of the Schemes;

   2.4 there being no event which could have a "material adverse effect" on Gas2Grid or Orion;

   2.5 warranties or representations made by Gas2Grid or Orion under the MIA are true and correct.

The Schemes also require Court approval in accordance with section 411(4)(b) of the Corporations Act and the approval of shareholders and optionholders of Gas2Grid. If necessary, Orion shareholder approval will be sought.

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3. **Break Fee**

3.1 Gas2Grid has agreed to pay Orion a break fee if the following occur:

(a) any Gas2Grid director withdraws his/her recommendation of the Schemes and one or both of the Gas2Grid shareholders approval and optionholders are subsequently not obtained, unless Gas2Grid was entitled to terminate the MIA, or unless an independent expert appointed by Gas2Grid gives an opinion that any one or both of the Schemes are not in the best interests of the Gas2Grid shareholders and/or optionholders.

(b) any Gas2Grid director publicly recommends a competing proposal prior to the termination of the MIA;

(c) a third party takes control of Gas2Grid or a substantial part of its assets;

(d) Orion terminates the MIA under certain circumstances.

The break fee payable by Gas2Grid is $100,000.

3.2 Orion has agreed to pay Gas2Grid a break fee if:

(a) Gas2Grid terminates the MIA for material breach by Orion;

(b) Orion causes the termination of the MIA except in certain circumstances; and

(c) a third party takes control of Orion or a substantial part of its assets.

The break fee payable by Orion is $100,000.

4. **Termination**

The MIA may be terminated in a number of circumstances, including:

4.1 by a party if the other party is in material breach of the MIA and has not rectified the breach within 7 business days after notice of the breach is given to it (or any shorter period ending at 5.00 pm on the day before the second Court date); or

4.2 automatically, if the Court refuses to order the convening of the Schemes meetings and appeals are unsuccessful; or

4.3 automatically, if the shareholders and optionholders fail to approve the Schemes;

4.4 automatically, if the Schemes do not become effective on or before the nominated end date.

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Confidentiality and Exclusivity – Key Terms

Under the terms of a separate confidentiality and exclusivity agreement, until the earlier of 14 December 2009 or implementation of the Schemes, Gas2Grid must not:

1. solicit, initiate, encourage, facilitate or invite any third party proposals;
2. participate in discussions or negotiations that may reasonably be expected to lead to a third party proposal;
3. enter into any agreement, arrangement or understanding that may reasonably be expected to lead to a third party proposal;
4. furnish any information that may assist a third party proposal; or
5. approve or endorse any third party proposal;

and must advise Orion of:

6. any approach by a third party;
7. any provision or request of information by a third party; and
8. the identity of the third party and details of all information provided.

However, the above obligations (other than the obligations not to solicit, initiate, encourage, facilitate or invite) are subject to a fiduciary carve-out.

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GAS2GRID CORPORATE DIRECTORY

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Patrick W V M Sam Yue - Non-Executive Director

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