11 March 2010

PROPOSED MERGER NOT PROCEEDING

Orion Petroleum Limited

Orion Petroleum Limited (ASX: OIP) (**Orion**) and Gas2Grid Limited (ASX: GGX) (**Gas2Grid**) advise that the Merger Implementation Agreement dated 5 November 2009 has been terminated and therefore the proposed merger will not proceed.

This follows Orion being advised that its independent expert would be revising its opinion on the merger from that already sent to Orion shareholders. At the request of ASX, a copy of the independent expert's advice is attached for the information of shareholders in Orion and Gas2Grid. Shareholders in Orion and Gas2Grid respectively should note carefully the last paragraph on page 2 of the BDO letter.

As it is no longer possible to implement the merger before the current End Date of 31 March 2010, and after consultation with each other, Orion and Gas2Grid have agreed to terminate the Merger Implementation Agreement with immediate effect. No break fees were payable by either Orion or Gas2Grid on termination.

Orion and Gas2Grid will continue to explore mutually beneficial opportunities to work together in the future and, should there be an opportunity to do so, the market will be updated as and when required.

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Sydney NSW 2000
GPO Box 2551, Sydney NSW 2001
Australia

10 March 2010

The Directors
Orion Petroleum Limited
Suite 303, Level 3
10 Bridge St
SYDNEY NSW 2000

Dear Sirs

Independent Expert's Report - Orion Petroleum Limited

As you are aware, BDO Securities (NSW-VIC) Pty Limited ("**BDO**") was engaged by the independent directors of Orion Petroleum Limited ("**Orion**") to prepare an Independent Expert's Report to express an opinion as to whether or not the proposed acquisition of the shares and options in Gas2Grid Limited ("**Gas2Grid**") owned by Mr Dennis Morton and by Budside Pty Limited, a company of which Mr Dennis Morton is a director and the sole shareholder, by Orion ("**the Proposal**") was fair and reasonable to Orion's shareholders not associated with Dennis Morton or Budside Pty Limited ("**Orion Shareholders**").

Our Independent Expert's Report dated 22 December 2009 ("**Initial IER**") concluded that the Proposal was fair and reasonable to Orion Shareholders whose votes on the Proposal were not to be disregarded.

Subsequent to releasing the Initial IER, in order to clarify an inconsistency between the valuation approach adopted by BDO and the valuation approach adopted by the independent geologist, Mulready Consulting Services Pty Limited ("**MCS**") in their Valuation Report dated 28 November 2009, we issued a Supplementary Independent Expert's Report dated 11 February 2010 ("**Supplementary IER**"). In the Supplementary IER, we concluded that the Proposal was again fair and reasonable to Orion Shareholders whose votes on the Proposal were not to be disregarded. This conclusion was consistent with our conclusion in the Initial IER.

Subsequent to the release of our Supplementary IER we have been made aware of changes to MCS's valuation of Orion and Gas2Grid's exploration assets. On 8 March 2010 MCS provided us an updated Valuation Report (attached as ***Annexure A***) which sets out changes to the valuations adopted in the previous MCS Valuation Report of 28 November 2009. A summary of the MCS valuations are set out below.

Valuation of Gas2Grid Exploration Assets

MCS Valuation	Low ($'000)	High ($'000)	Optimal ($'000)
28 November 2009	10,300	15,300	10,800
8 March 2010	9,900	14,300	10,100
Variance	(400)	(1,000)	(700)

Source: MCS

Valuation of Orion Exploration Assets

MCS Valuation	Low ($'000)	High ($'000)	Optimal ($'000)
28 November 2009	5,100	9,400	7,700
8 March 2010 [(1)]	5,200	8,700	7,700
Variance	100	(700)	-

Source: MCS

Note 1: MCS's Valuation Report of 8 March incorporates actual well costs in relation to the valuation of PEL 427 and 428, rather than estimated well costs that have been previously adopted by MCS as set out in MCS's letter of 5 March 2010 in response to a letter from Menzies Partners dated 25 February 2010.

As a result of the changes to the MCS valuations as detailed above, we have revised our valuation of Gas2Grid and Orion shares. We have also updated our valuations to incorporate any changes in the balance sheets of Gas2Grid and Orion between 30 September 2009 and 31 December 2009.

Accordingly, based on the changes set out in the MCS Valuation Report and the changes in the balance sheets of Gas2Grid and Orion between 30 September 2009 and 31 December 2009, it should be assumed that BDO will be required to amend the conclusion previously advised to Orion Shareholders in our Initial IER and Supplementary IER (ie that the Proposal was fair and reasonable to Orion Shareholders whose votes on the Proposal were not to be disregarded).

Please note the comments above are only a summary of our analysis. If you require more information in relation to our valuation and conclusion, and the Proposal is to proceed, BDO will be required to release a supplementary IER.

Yours faithfully
BDO SECURITIES (NSW-VIC) PTY LIMITED

David McCourt
Director

Vera Baumgartner
Director

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INDEPENDENT VALUATION

PETROLEUM INTERESTS OF

GAS2GRID LIMITED

&

ORION PETROLEUM LIMITED

MULREADY CONSULTING SERVICES PTY LTD

8th March 2010

March 8th 2010

The Directors
BDO Securities (NSW-VIC) Pty Limited
GPO Box 2551
Sydney NSW 2001

cc. Independent Directors
Orion Petroleum Limited
Suite 303, Level3
10 Bridge Street
Sydney NSW 2000

Dear Sirs,

At your request I have prepared the following revised 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- $5.9 million	$5 million
PEL 427	$0.25 - $0.33 million	$0.25 million
PEL 455	$1.25-$1.35 million	$1.3 million
PEL 428	$0.19 million	$0.19 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	**$5.18- $8.72 million Say $5.2-$8.7 million**	**$7.66 million say $7.7 million**
EP 453	$0.9 -$1.26 million	$1.1 million
St Griede Licence	$3.5 million	$3.5 million
SC 44	$5.5-$9.5 million	$5.5 million
Total Gas2Grid Properties	**$9.9 to $14.26**	**$10.1 million**

NOTES:
This Report has been prepared in compliance with the requirements of the Valmin Code as revised 2005.
Properties have been valued where possible by means of reference 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

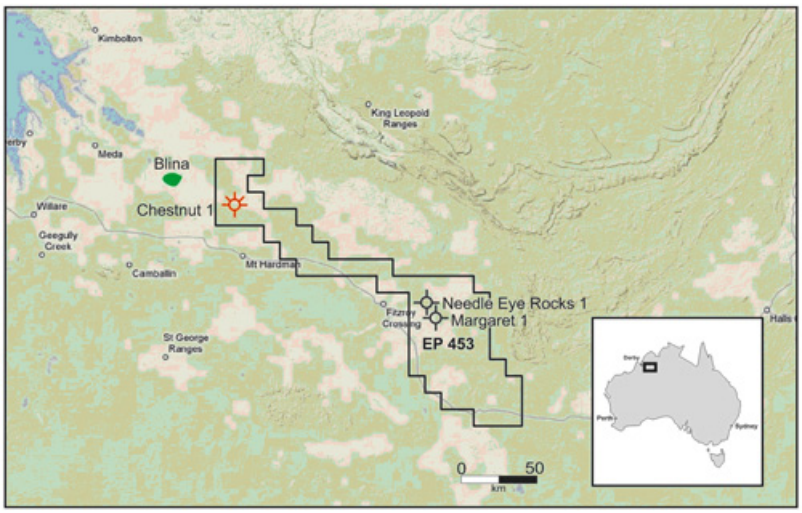

Fig. 1(a) EP 453 Onshore Canning Basin W.A.

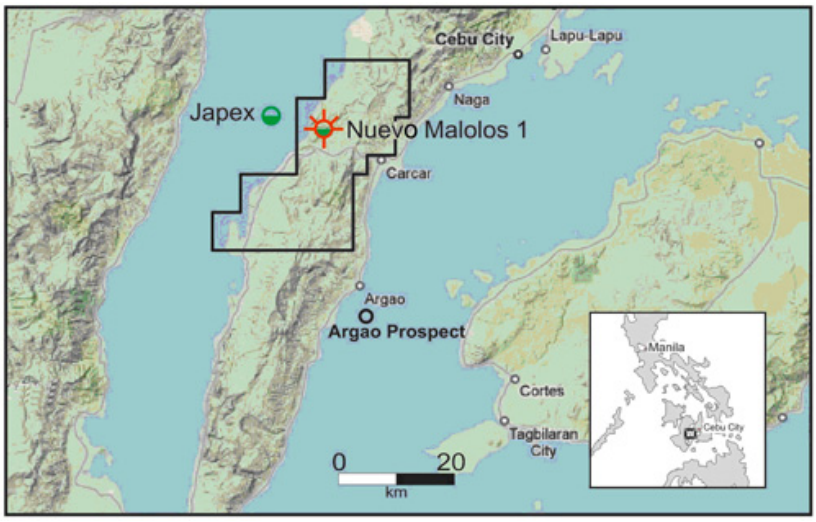

Fig. 1(b) SC 44 Onshore Visayan Basin, Cebu Island. Philippines

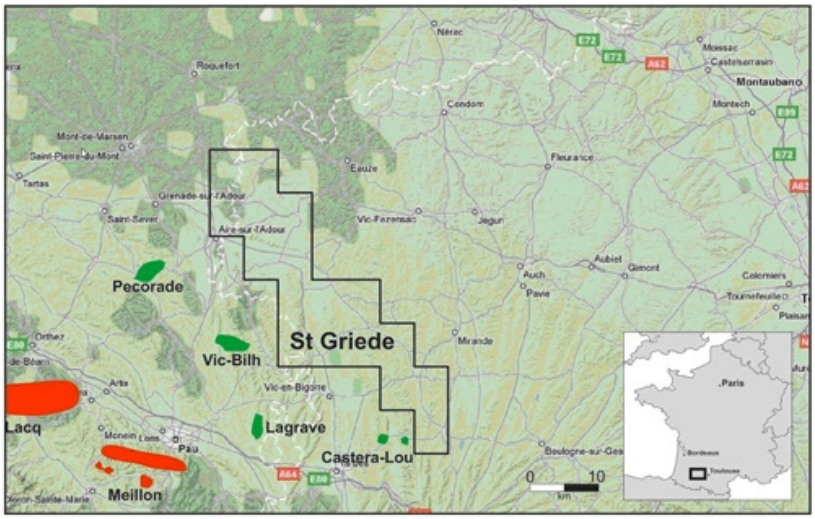

Fig. 1(c) St Griede Licence, Aquitaine Basin, France

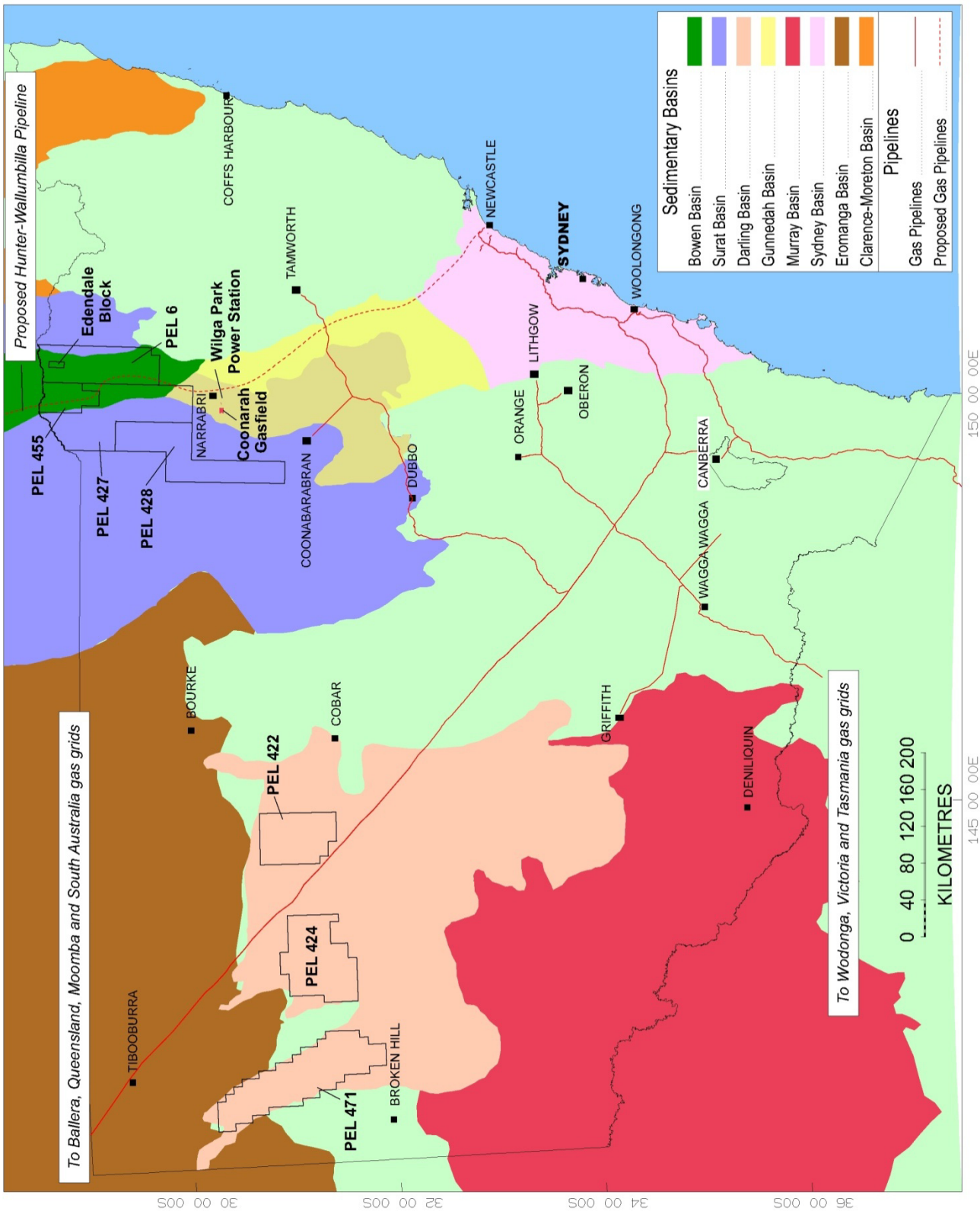

Figure 2. Orion Petroleum Limited - Acreage Holdings Map

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 $500,000
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	COST
9/2009	Geological & Geophysical Studies Seismic reprocessing	Completed
9/2010	Drill 1 well or equivalent seismic (Kurrabooma-1)	$480,000
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

*This is a contractual commitment with the Authority

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

*This is a contractual commitment with the Authority

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 BDO Securities (NSW-VIC) 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

Refer Figure 2
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. Four are located in the correlative Gunnedah/Surat Basin, whilst the remaining three are located in the frontier Darling Basin.

Figure 3. Gunnedah Basin Outline Map (Map G4 NSW Mines Dept. Bulletin 1)

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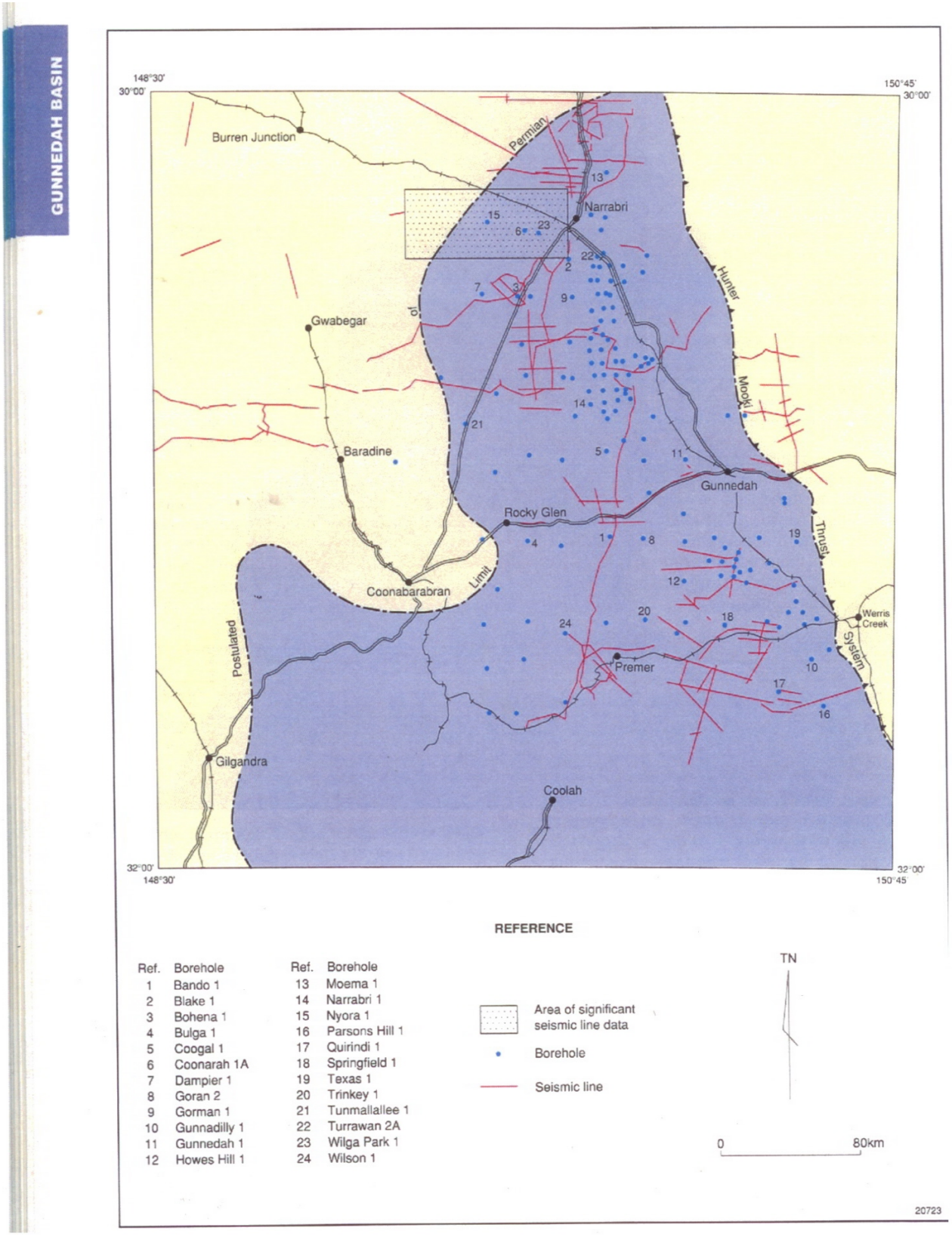
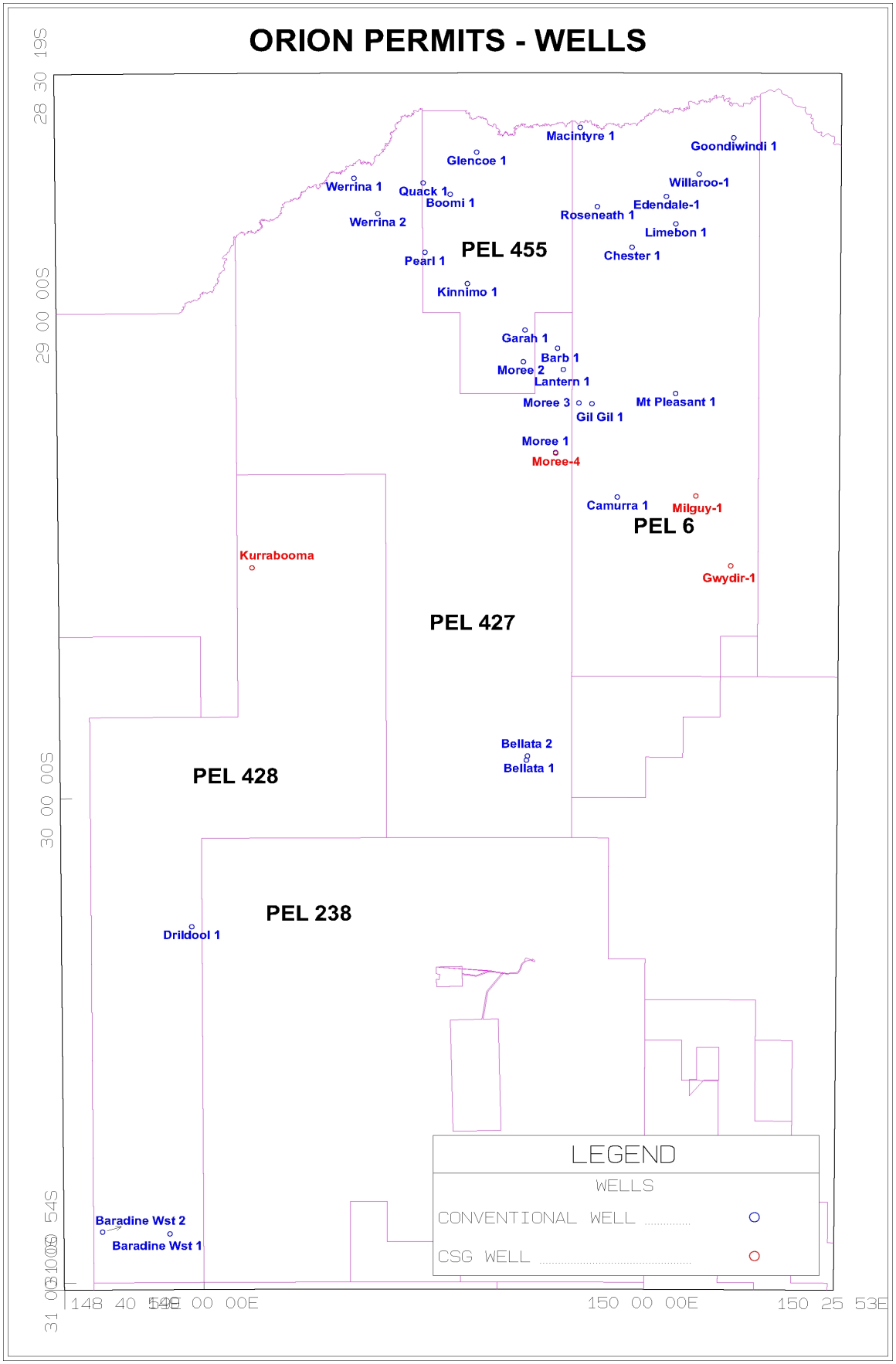


Fig 4 Orion Permits - Wells



Coal Bed Methane Potential

Comet Ridge Limited, the holders of PEL's 427 and 428 prior to the Orion's acquisition of the tenements, considered that the blocks held appreciable CBM potential. Orion was interested primarily in the conventional petroleum potential of these relatively unexplored blocks and that of PEL's 6 and 455, which Orion held in its own right. Subsequently ESG farmed into the CBM rights of Orion's 4 exploration tenements, PEL'S 6 and 455 in the Bowen/Surat Basin and PEL's 427 and 428 which are located primarily in the Surat Basin with some perceived pockets of under lying Gunnedah Basin section in the south and some Bowen Basin section in the far north of PEL 427.

The results of ESG's CBM exploration drilling program have markedly downgraded the CBM potential of Orion's north-western NSW acreage portfolio. There is no coal known to be present in the Darling Basin, hence the company's acreage in western NSW, PEL's 424,422 and 471 have no CBM potential.

A farmin by Eastern Star Gas Limited (ESG) into the CBM rights of Orion's acreage is presently being consummated, it is almost completed. Preliminary exploration, the drilling of 4 coreholes, 2 in PEL 6 and 1 in each of PEL's 427 and 428, and the acquisition of seismic data, directed towards this CBM potential has commenced in four areas which were high-graded. Drilling results have downgraded all four areas.

PEL 6 (Onshore Bowen /Surat Basins, New South Wales)

This tenement, which as a result of the intersection of approximately 23 metres of Permian aged Gunnedah Basin Maules Creek coals in ESG's Edgeroi-1 well sited in PEL 238, located to the southwest of PEL 6 and to the south of PEL 427, was considered to have appreciable coal bed methane (CBM) drainage potential.
Besides the CBM potential in the Permian aged Maules Creek Formation in the south east of PEL 6, some CBM potential was also attributed to the Triassic aged Moolayember Formation, in the south of the block. It should be noted that in general the Triassic section is not coal rich and it does not support any CBM production in eastern Australia.

It was recognized that the Permian aged Bowen Basin coals in the north of the block were buried too deeply for economic CBM extraction. The north of the tenement holds some potential of conventional hydrocarbon prospectivity. A conventional prospect Toenda-1, which in the most likely case could host 31.4 MMbbls of recoverable oil, has been delineated.

The CBM well **Gywdir-1** was drilled to a TD 814 m in the 2nd quarter 2009, but was plugged and abandoned after encountering 4 m of Moolyamber coal in thin, uneconomic seams. Unfortunately no Permian, Gunnedah Basin coal was intersected.

The second CBM well drilled in PEL 6, **Milguy-1,** is currently being drilled, but definitive results are not yet available. The well has a proposed total depth of approximately 1,000m.

This drilling has markedly downgraded the CBM potential of PEL 6 further more it has shown that the prospective Gunnedah Basin section is not present in PEL 6. These disappointing results are unfortunate as a significant discovery of conventional gas, CBM or oil 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 two of Orion's other tenements in the Bowen/Surat Basin and Gunnedah/Surat Basin acreage, PEL 455 and PEL 427 respectively.

It should be noted that very little Gunnedah Basin section is present in PEL 427, and it is only present in the far south eastern corner.

PEL 427 (Onshore Surat Basin, New South Wales)

The Surat Basin is productive of CBM, from the Jurassic aged Walloon Coal Measures, in Queensland. This unit is not well developed in New South Wales. Where it has been encountered in the north of PEL'S 6, 455 and 427 the coals have either been thin or not developed. The Surat Basin sequence is productive of oil and conventional gas in Queensland.

There are two CBM wells located in PEL 427, the first Bellarta-2 which is just a twin of the earlier Geological Survey of New South Wales (GSNSW) well Bellarta-1, from which a minor gas indication is reported. Bellarta-2 was drilled by Comet Ridge Limited and the results are quite disappointing, no gas show was encountered in the unit from which it was reported from in Bellarta-1.

The Maules Creek Formation which was encountered at Edgeroi-1 and expected at Bellarta-1 was thin, uplifted and eroded at Bellara -2. The postulated Maules Creek Fairway was not confirmed in the south of PEL 427 and the postulated extent of the Gunnedah Basin was greatly reduced.

The CBM farm in operator, ESG, drilled **Moree-4** in the east central portion of the block as part of the previously mentioned CBM farmin. The results of this well are also quite disappointing as the Bowen Basin coals are too deep for economic consideration, the Triassic section is not coal rich, and the Permian Gunnedah Basin section is not present. Some thin coal seams are reported from the Cretaceous aged Bungil-Coreena interval.

It should be noted that Cretaceous aged coals do not sustain CBM anywhere in Australia.

The results of the Bellarta twin wells and Moree-4 have greatly downgraded the prospectivity of PEL 427 and have totally contradicted the presence of a postulated CBM fairway extending from Santos' Gunnedah Basin acreage portfolio to the Queensland border.

PEL 428 (Onshore Surat Basin, New South Wales)

This is the most south-western and least explored of Orion's four tenements in north-western NSW. It consists primarily of Surat Basin sequence which is thinning

to the west, by loss of section due to erosion from the top and non-deposition from the base. No Permian section, that is no coals of either the Bowen or Gunnedah Basin sequences have been encountered in the tenement, hence there is no obvious CBM potential.

A thin veneer of Triassic section is reported from the base of the very early American Overseas Petroleum Company Limited (Amoseas) wells, Barradine West-1&-2 wells.
ESG drilled Kurrabooma-1 as part of the previously mentioned CBM farmin. That well located in the north-west of the permit, like Moree 4 in PEL 427, encountered a thin interval of Cretaceous aged Coreena-Bungil (=Bungil-Coreena) coal. It is not of commercial significance.

The results of Kurrabooma-1 and the Barradine-1&-2 scout wells have markedly downgraded the CBM potential of PEL 428.

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.

Earlier Investigative CBM studies have postulated the existence of a Coreena-Bungil interval CBM corridor extending north of Moree-4 through PEL 455. The non commercial thickness of the Coreena-Bungil coals present in Moree-4 would seem to mitigate against this expectation. This result also contradicts and disproves the presence of a postulated CBM fairway from the Gunnedah Basin through Orion's tenement across the Queensland border into that state.

No direct CBM Drilling has been undertaken in this tenement, which has potential for conventional exploration in the Bowen/Surat Basin sequences.

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.

The second part of the CBM farmin, the 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

This work has been successful in that two conventional prospects have been delineated. It has been less successful in proving up postulated CBM fairways.

Fig 5 Orion Darling Basin Permits

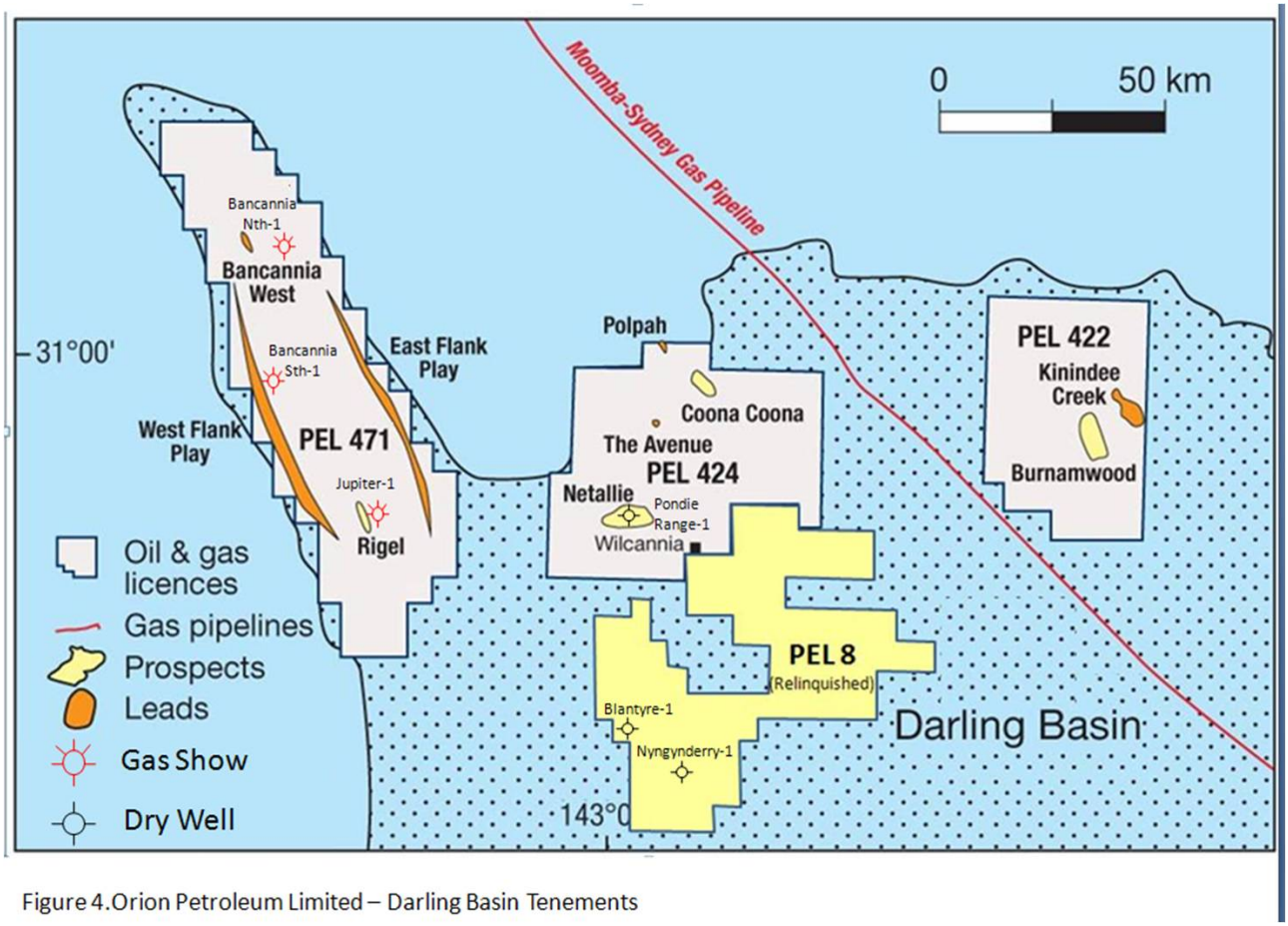


Figure 4.Orion Petroleum Limited – Darling Basin Tenements

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 siting 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)
Refer Fig.1(a)
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)
Refer Fig 1(b)
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 problems, caving washouts and plugging, that occurred at Malolos 1 also 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, both oil production and a gas feed to establish a local power station..

St Griede Licence (onshore Aquitaine Basin, France)
Refer Fig. 1(c)
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

Thus, for example, if a farmor owns 100% of a permit and a farminee pays $1 million to earn a 70% interest, the farminee effectively pays $1 million/6 0 = $16,667 per percentage point. The farmors remaining 40% is thus valued at $16,667X40=$666,680

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 $4.9 and $6.9 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 $4.7 and $6.6 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 $5.9million

(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, i.e. $27,333 per %age point..

The premium implicit in these terms values Orion's 25% interest in the coal bed methane potential at $27,333 x 25 = $683,000.

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 $650,000 and the well at $2 million, this yields a value for Orion's 95% of the conventional acreage portion at between $2.5 and $3.8 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 range of $2.3 million to $3.4 million.

The total conventional and CBM value would thus total
$2.3 + 0.68 = $2.98 million say $3 million, to
$3.4 + 0.68 = 4.08 million, say $ 4 million
i.e. $3 million to $4 million

Considering both methods the values therefore range between $3 million and $5.9 million.

I have elected to select a value of $5 million somewhat above the mid-point of for the optimal value of Orion's interest in PEL 6, as I consider it likely the Toenda-1 well will be drilled in the near future, thus increasing the attractiveness of the permit.

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 $280,000 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 $333,000

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 100% of the well cost of the Moree-4 well to earn a 50% interest. The well cost $500,000, hence EGS paid $$500,000 for its 50% interest, i.e. $10,000 per percentage point.
This values Orion's 25% working interest at $250,000.

The values thus range between $250,000 and $330,000

Of the two methods the commercial transaction is 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 $250,000 for the optimal value of 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 trend. 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.

The range of values is thus $1.25 million - $1.35 million. I have elected to assign an optimal value equivalent to the mid-point value between the two methods, i.e. $1.3 million.

7.4 PEL 428 Surat-Bowen 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. Accordingly this method is inapplicable at this stage.

(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 428 by contributing 80% of the cost of the Kurrabooma-1 corehole to earn 40%. Davidson Exploration paid their 20% share. The well cost was $480,000.
Thus ESG paid $384,000 to earn its 40% working interest., i.e. $9,600 per %age point.
The terms of such a farmin would thus value Orion's 20% interest in the permit at $9.6x20 = $192,000

In the absence of any additional data I have allocated a value of $192,000 to the permit, say $0.19 million.

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 have a value of more than $1,000 per percentage point, i.e. $100,000 per permit. Although this assessment is subjective, 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).
(I have not attempted to evaluate the original purchase from Budside as I do not consider this to have been an 'arm's length' transaction.
I am also aware that Gas2Grid commisioned a private valuation in 2008 which valued the permit at Between $0.9 million and $2.9 million).
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.
Thus the farmout terms value the residual 25% interest as
$40,000 X 25 = $1million.
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 . Allowing a 10% discount for the royalty yields a value of $0.9 million

The values derived thus range between $0.9 and $1.26 million.
Again taking a mid point sum yields an optimal value of $1.08 million, say $1.1 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 cost of $2.5 million. This is a substantial programme totalling just on $9.5 million, (inclusive of seismic and the aerosurvey), 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) Hypothetical farmin
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 Gas2Grid would seem unlikely to farmout on terms less than they have expended, 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) Current farmin offer for acreage in
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 (approx 0.9) 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- $5.9 million	$5 million
PEL 427	$0.25 - $0.33 million	$0.25 million
PEL 455	$1.25-$1.35 million	$1.3 million
PEL 428	$0.19 million	$0.19 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	**$5.18- $8.72 million Say $5.2-$8.7 million**	**$7.66 million say $7.7 million**
EP 453	$0.9 -$1.26 million	$1.1 million
St Griede Licence	$3.5 million	$3.5 million
SC 44	$5.5-$9.5 million	$5.5 million
Total Gas2Grid Properties	**$9.9 to $14.26**	**$10.1 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 normally the case for exploration properties where there are no production facilities 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 Gas2Gris 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.
Hover 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 Rule

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 include this Valuation Report being attached to BDO Securities (NSW-VIC) Pty Limited's Independent Expert's Report, in the form and context in which it is presented.

16. DATE OF REPORT

This Report is dated 8th March 2010.

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

	2009
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
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
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