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ABN 61 005 632 315

EXPLANATORY MEMORANDUM IN RELATION TO ISSUE AND ALLOTMENT OF SHARES:

- TO STRATA SCHEME MEMBERS UNDER A SCHEME OF ARRANGEMENT BETWEEN STRATA RESOURCES NL AND ITS MEMBERS ;
- TO GASCORP AUSTRALIA PTY LTD ON ACQUISITION OF EXMOUTH EXPLORATION PTY LTD;

EACH OF THE RESOLUTIONS TO BE PUT TO THE MEETING ARE CONDITIONAL UPON EACH OTHER OF THEM BEING PASSED AND THE SCHEME OF ARRANGEMENT BETWEEN STRATA AND ITS MEMBERS IS CONDITIONAL UPON THOSE RESOLUTIONS COMING INTO EFFECT.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE PROPOSED ACQUISITION OF STRATA AND EXMOUTH IS FAIR AND REASONABLE AND IN THE BEST INTERESTS OF MEMBERS.

THE MEETING WILL BE HELD AT 11.00 A.M. ON 10 FEBRUARY 2009.



DIRECTORS

E.G. Albers (Chairman)
P.J Albers
G A Menzies

COMPANY SECRETARY

J.G. Tuohy

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AUDITORS

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STOCK EXCHANGE LISTING

National Stock Exchange of Australia Limited
Level 3, 45 Exhibition Street, Melbourne Vic 3000
Level 2, 117 Scott Street, Newcastle NSW 2300
website www.nsga.com.au

NSX Code:

OCT Ordinary Shares
OCTOF Options 30 June 2009

INCORPORATED IN VICTORIA

13 March 1980

WEBSITE

www.octanex.com.au

FORWARD LOOKING STATEMENTS

Various statements in this Scheme Booklet constitute statements relating to intentions, future acts and events of both Strata and Octanex.

Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed herein.

PROVISION OF INFORMATION

Any information or representation not contained in this Explanatory Memorandum should not be relied upon as having been authorised by the Company or its directors.

No person is authorised to give any information or make any representation in relation to the proposals set out herein, which is not contained herein.

VOTING

Members should complete proxy forms as instructed and return them to the Company's Share Registrar in the enclosed reply paid envelopes without delay.

Corporate shareholders must:

- (a) complete and lodge with the Company a valid appointment of proxy in accordance with the instructions on the relevant Notice of Meeting; or
- (b) complete and lodge with the Company prior to the meeting a form of appointment of or certificate of appointment of personal representative in accordance with the provisions of Section 250D of the Corporations Act 2001; or
- (c) appoint a valid power of attorney in accordance with its constitution and the Company's constitution;

and cause such proxy, personal representative or attorney to attend the relevant meeting to enable it to vote at the relevant meeting.

INDEX TO EXPLANATORY STATEMENT

Item	Page
CHAIRMAN'S LETTER	2
SECTION ONE	7
DETAILS OF THE PROPOSALS.....	7
1. INTERPRETATION	7
2. THE OCTANEX GENERAL MEETING.....	9
3. RESOLUTION TO APPROVE THE ISSUE AND ALLOTMENT OF THE OCTANEX SHARES AS THE SCHEME CONSIDERATION	10
4. RESOLUTION 2: RESOLUTION TO APPROVE EACH OF THE MEMBERS OF THE ALBERS GROUP BEING STRATA SCHEME MEMBERS PARTICIPATING IN THE SCHEME CONSIDERATION PROPOSED TO BE ISSUED UNDER RESOLUTION 1 ABOVE.....	11
5. RESOLUTION 3: TO APPROVE THE ACQUISITION OF ALL OF THE EXMOUTH SHARES IN EXCHANGE FOR THE ISSUE AND ALLOTMENT OF 30,526,968 OCTANEX SHARES, EACH CREDITED AS FULLY PAID UP	12
6. INDEPENDENT EXPERT'S RECOMMENDATIONS IN RELATION TO THE PROPOSED TRANSACTION.....	14
7. PERCEIVED ADVANTAGES AND DISADVANTAGES OF THE PROPOSED TRANSACTION	14
8. ACTION TO BE TAKEN BY OCTANEX MEMBERS.....	15
9. OVERVIEW: COMMERCIAL JUSTIFICATION AND PURPOSE FOR THE STRATA SCHEME	15
10. BACKGROUND: STRATA	16
11. BACKGROUND: OCTANEX	32
12. BACKGROUND: GASCORP AND EXMOUTH	38
13. OCTANEX DIRECTORS' PRESENT HOLDINGS OF MARKETABLE SECURITIES OF STRATA	40
14. OCTANEX DIRECTORS' PRESENT HOLDINGS OF MARKETABLE SECURITIES OF OCTANEX	40
15. DIRECTORS' HOLDINGS OF MARKETABLE SECURITIES OF OCTANEX SUBSEQUENT TO ACQUISITION OF STRATA AND EXMOUTH	41
16. TRANSACTIONS WITH RELATED PARTIES.....	41
17. RECENT DEALINGS IN SHARES AND MARKETABLE SECURITIES OF OCTANEX.....	41
18. EFFECT OF SCHEME ON MARKET PRICE OF SHARES IN OCTANEX.....	41
19. EFFECT ON OCTANEX CREDITORS.....	41
20. EFFECT ON DIRECTORS AND PAST DIRECTORS OF OCTANEX	41
21. CONTINUATION OF PRESENT BUSINESS	41
22. OTHER RELEVANT INFORMATION.....	42
23. DIRECTORS' RESPONSIBILITY STATEMENT	42
SECTION TWO	43
INDEPENDENT EXPERTS REPORT BY DMR CORPORATE	43

Dear Member,

This Explanatory Memorandum explains the proposed acquisition of all of the issued marketable securities of Strata Resources NL (“Strata”) pursuant to a proposed scheme of arrangement to be entered into between Strata and its members and the acquisition of Exmouth Exploration Pty Ltd (“Exmouth”), presently a wholly owned subsidiary of Gascorp Australia Pty Ltd (“Gascorp”) which is a company controlled by the Albers Group (as defined herein).

A merger of Strata with Octanex will allow the merged entity to set about building a stronger management team, provide increased interests in some strategically located exploration assets and extract upside from the enlarged entity’s growth platform. Octanex is committed to creating value for its shareholders. The directors of Octanex consider that the acquisition of Strata and Exmouth on the terms proposed in this Explanatory Memorandum and in the Strata Scheme Booklet being despatched to the members of Strata will create value for Octanex members for the reasons set out herein.

We regard this as an opportune time for both Octanex and Strata shareholders to participate in this new era as shareholders in an enlarged Octanex group, under the proposal set out in this Explanatory Memorandum.

Under the proposals:

- Strata shareholders are being offered a total of 90,276,900 Octanex Shares (1.65 Octanex Shares for every Strata Share); and
- Gascorp will be issued and allotted 30,526,968 Octanex Shares.

This meeting is convened to approve the issue and allotment of the Octanex Shares to be issued to acquire Strata and Exmouth.

Additionally, because of the related party provisions of the Corporations Act 2001 (the “Act”) the issue and allotment of Octanex Shares to various members of the Albers Group must be approved by special resolution of the members of Octanex.

For this purpose, the Company has received advice from an independent expert, DMR Corporate Pty Ltd (“DMR”) which has confirmed that in its opinion the proposals are fair and reasonable. The “Non-Associated Shareholders” are all the Octanex Members other than the Albers Group.

DMR’s conclusions are summarised in Section 3 of their report as follows:

In our opinion, the Proposed Transaction set out in Section 2 above is fair and reasonable to the Non-Associated Shareholders.

Our principal reasons for reaching the above opinion are:

Fairness

- *We assessed the value of one Octanex share before the Proposed Transaction at \$0.47 – Section 7.7*
- *We assessed the value of one Octanex share after the Proposed Transaction at \$0.49 – Section 10.*
- *As the value of one Octanex share after the Proposed Transaction is greater than the value of one Octanex share before the Proposed Transaction, we consider that **the Proposed Transaction is fair.***

Reasonableness

*We have also reviewed the other significant factors referred to in Section 13 of this report and we consider that **the Proposed Transaction is reasonable.***

The concept behind the proposal for Octanex to acquire Strata and Exmouth is to amalgamate the interests of each of Strata, Exmouth and Octanex under the control of Octanex. This will create a combined company with significantly greater assets and financial capacity than either of Strata or Octanex in their own right.

There is much to tell you about the various aspects of the proposed merger. In this booklet we have presented to you a wide range of details, relevant information and considerations to be taken into account in making your decision. I encourage you to take the time to read this material.

The merger with Strata is proposed to be effected by a Scheme of Arrangement which, to become effective, must be approved by shareholders and subsequently by the Supreme Court of Victoria. The Scheme Booklet will be tabled at the meeting. The acquisition of Exmouth is by contract which will be tabled at the meeting.

To achieve the merger it is necessary that the members of Octanex pass the resolutions to be put to this meeting.

The Board has concluded that the acquisition of Strata and Exmouth will be in the best interests of Octanex Members as a whole for the reasons set out herein. You should note that each of EG and P J Albers abstained from voting at the board meeting to approve the convening of this meeting and each member of the Albers Group will abstain from voting on any of the resolutions to be put to the meeting because they have an interest in the outcome of the resolutions.

As the sole independent director, I recommend that you vote in favour of each of the resolutions to be put to the meeting to ensure that both the Strata Scheme and acquisition of Exmouth take place.

Reasons for my recommendation are set out in each of clauses 3, 4 and 5, which describe the resolutions, and these reasons include that DMR, as the Independent Expert, has concluded that the transactions are fair and reasonable from the point of view of the Non-Associated Shareholders.

A summary of the proposals being put to the meeting (which forms part of this letter) follows on the next page.

I urge you to read this Explanatory Memorandum carefully in full and, if you do not understand it or any part of it, I recommend that you consult an expert adviser familiar with your investment circumstances before making your decision.

Yours sincerely



Graeme Menzies
Non-Executive Director

23rd December 2008

MERGER PROCESS AND IMPLICATIONS

Strata and Octanex are equal participants in a series of permits and joint ventures as detailed in this Explanatory Memorandum. Details of their respective assets are set out in clauses 10 and 11.

Exmouth is a subsidiary of Gascorp Australia Pty Ltd ("Gascorp") and will, at the time of completion of the proposals set out herein, hold 40% of each of WA-386-P and WA-387-P and 12% of each of WA-362-P and WA-363-P (all in the Exmouth Basin) ("Exmouth Tenements").

Interests of 14% in both WA-362-P and WA-363-P are also presently held by each of Strata and Octanex. Gascorp has assigned to Exmouth the benefits and the obligations of transactions previously entered into by Gascorp with OMV Australia Limited ("OMV") and ENI Australia Limited ("ENI") in relation to WA-386-P and WA-387-P on identical terms to those entered into by Strata and Octanex in relation to WA-362-P and WA-363-P. The Boards of Strata and Octanex consider that there is sound logic in combining those interests of Exmouth in the "Exmouth Tenements" with the assets of Strata and Octanex. This combination will be achieved by Gascorp transferring Exmouth to Octanex in exchange for ordinary shares in Octanex and nothing else.

A pro forma balance sheet of Octanex is contained in clause 11.6 below. That pro forma balance sheet is based on unaudited management accounts of each of Strata and Octanex as at 30 September 2008, taking into account all events subsequent to 30 June 2008 up to the date hereof. It has been prepared on the assumptions outlined herein, that the Strata Scheme is implemented and that Exmouth is acquired.

The merger of Strata and Octanex will be carried out under the Strata Scheme and the members of Strata ("Members") will effectively exchange their fully paid shares in Strata ("Strata Shares") for fully paid shares in Octanex ("Octanex Shares"). This process will be carried out by the cancellation of the Strata Shares and the issue and allotment to Strata Scheme Members of Octanex Shares in consideration of that cancellation ("Scheme Consideration").

At the date of this letter Strata has 54,713,273 Strata Shares on issue and Octanex has 50,556,837 shares on issue.

On the cancellation of the Strata Shares, Strata will issue and allot an equivalent number of new shares in Strata to Octanex and, subject to the provisions of the Strata Scheme relating to Foreign Shareholders (as defined in the Scheme), Octanex will issue and allot each Strata Member entitled under the Strata Scheme ("Strata Scheme Member") 1.65 Octanex Shares for every Strata Share held by that Strata Scheme Member ("Scheme Consideration"). The Strata Scheme applies equally to all Strata Scheme Members on the Strata share register ("Strata Share Register") as at the date to determine entitlements ("Record Date") to participate in the Strata Scheme.

The total number of Octanex Shares to be issued as Scheme Consideration will be 90,276,900.

Subject to rounding down of entitlements, it is calculated that the aggregate Scheme Consideration issued to Strata Scheme Members, other than Doravale Enterprises Pty Ltd ("Trustee"), as trustee under the Trustee Stock Scheme, will be 57,276,900 Octanex Shares.

The 20,000,000 Strata Shares held by the Trustee ("Trustee Shares") will also participate in the Strata Scheme and the Trustee will be issued 33,000,000 Octanex Shares as part of the Scheme Consideration but will hold those Octanex Shares on trust for sale in the like manner in which it holds the existing Trustee Shares. Effectively, because Strata will be a wholly owned subsidiary of Octanex, although those Octanex Shares will be held on trust for Strata, the economic benefit from them will be for the benefit of Octanex and its then shareholders. Details of the Trustee Stock Scheme are set out in clauses 10.4 to 10.6 below. The Trustee Stock Scheme is a method of raising capital.

On Exmouth being acquired, a further 30,526,968 new shares in Octanex will be issued to Gascorp in exchange for all of the shares in Exmouth (see clause 12 below for details of the Exmouth Tenements, their value and the acquisition cost to Octanex). Exmouth has acquired its assets from its parent entity (Gascorp) and it is being acquired for the value of its exploration assets reduced by the amount of deferred tax liability related to those assets. The deferred tax for the purpose of Scheme valuation liability is based on Exmouth acquiring the assets from Gascorp for nil for tax purposes but having to apply a tax rate of 30% to the value of those assets.

Consequently, on completion of all these transactions there will be a total of 171,360,705 Octanex shares on issue, of which 138,360,705 will be held by the Octanex members other than the Trustee, with the Trustee holding 33,000,000 shares. The Albers Group, (comprising interests associated with E G and P J Albers) will hold 109,802,177 Octanex Shares, representing 64.29% of the then issued capital of Octanex. As 2 December 2008 E.G Albers had a relevant interest in 61.48% of the issued capital of Octanex and P.J Albers had a relevant interest in 61.23% of Octanex. Ignoring the Trustee Shares the Albers Group

presently holds 84.14% of the issued capital of Strata. EG and P J Albers each have a relevant interest 100% of the issued capital of Gascorp and thus of Exmouth, its wholly owned subsidiary.

The table below sets out the capital of Octanex as it will exist, subsequent to the Strata Scheme and acquisition of Exmouth.

Capital Structure of Octanex subsequent to the Strata Scheme and the Acquisition of Exmouth	
Existing Shares held by members of Octanex	50,556,837
Issued to Strata Members under the Strata Scheme other than the Trustee	57,276,900
Issued to the Trustee to be held on trust for sale	33,000,000
Issued to Gascorp to acquire Exmouth	30,526,968
TOTAL	171,360,705

The Scheme Consideration has been determined by reference to the total issued capital of each of Strata and Octanex (as determined on a fully diluted basis) and their respective net assets based on the unaudited balance sheet of 30 September 2008 adjusted for changes in value of assets held including changes in the value of financial assets held by each of Octanex and Strata and taking into account the value of the exploration interests at the increased values referred to in DMR's Independent Expert's Report and taking the after tax effect of those changes in value into account.

In arriving at the exchange ratio under the Strata Scheme (1.65 Octanex Shares for every Strata Share), the Trustee Shares held by the Trustee under the Strata Trustee Stock Scheme have been disregarded. They will be replaced by Octanex Shares which will continue to be held on trust for sale as replacement Trustee Shares: with the net proceeds of their future sale benefiting the members of Octanex at the time of sale. Effectively, taking into account the reduction in value of the marketable securities held by Octanex, the exchange ratio of 1.65 is the ratio that the asset backing of a Strata Share (on a fully a diluted basis) bears to the asset backing of an Octanex Share (on a fully a diluted basis) as at 27 November 2008.

A condition precedent to the Strata Scheme is that NSX agrees to grant Official Quotation to the Octanex Shares to be issued as the Scheme Consideration and as consideration for acquisition of Exmouth. That application will be made to NSX prior to the Strata Scheme Meeting. It is anticipated that listing approval for the Official Quotation of the Octanex Shares to be issued to acquire Strata and Exmouth will be granted by NSX as a matter of course.

Mr G Menzies, the sole director of Octanex, apart from E.G. and P. J. Albers and P J (who each abstain from making any recommendation in relation to the resolutions to be put to this Octanex General Meeting because they have an interest in the outcome of the resolutions), considers that the interests of Octanex Members are best served by the Strata Scheme being implemented and Exmouth being acquired. Mr Menzies reasons for his recommendation are set out in clauses 3, 4, and 5 below. Octanex Members should consider those reasons and assess the merits of the proposals from their own points of view before determining how they will vote on the resolutions and, as necessary, seek independent legal, financial or other professional advice.

There are three resolutions being put to this Octanex General Meeting.

There are two resolutions to approve the issue of the Scheme Consideration under the Strata Scheme. The first resolution is a general resolution to approve the issue of the scheme Consideration. The second resolution is a resolution to authorise the members of the Albers Group who are Strata Members participating in the Scheme Consideration under Chapter 2E of the Corporations Act and the NSX Listing Rules. The third resolution is a resolution to approve the acquisition of Exmouth from Gascorp (a member of the Albers Group) and issue Octanex Shares to Gascorp. This resolution is also regulated under Chapter 2E of the Corporations Act and the NSX Listing Rules

The effect of all the resolutions is to increase the Interests of E G Albers from a present 31,082,380 Octanex Shares out of a total of 50,556,837 Octanex Shares (representing 61.48% of the voting power attaching to all voting shares in Octanex) to 109,802,177 Octanex Shares out of a total of 171,360,705 Octanex Shares (representing 64.29% of the voting power attaching to all the then voting shares in Octanex). As this increase is less than a 3% increase in voting power, no experts report or approval is required under section 611 of the Corporations Act although the Independent Expert's Report by DMR Corporate Pty Ltd addresses this issue for the benefit of the Non-Associated Shareholders.

All three resolutions are interdependent and none of the resolutions will come into effect unless all three are passed by the requisite majorities: either as ordinary resolutions or special resolutions as appropriate. Further, the resolutions will not come into effect unless the Strata Scheme between Strata and its Members also comes into effect.

You should note that DMR, which has provided the Independent Expert's Report in Section Two, has concluded that the proposed acquisitions are fair and reasonable. You are recommended to read the report by DMR carefully and in full and to

seek independent advice if there are any matters contained in that reports which you do not fully understand. The report by DMR takes into account the consequences of the acquisition of Exmouth, as the Strata Scheme is, among other things, conditional upon the members of Octanex approving the acquisition of Exmouth at the Octanex General Meeting.

An indicative timetable for these matters is set out below.

Event	Date
Approval for Official Quotation of Octanex Shares to be issued as Scheme Consideration	By 30th January 2009
Octanex General Meeting held	10th February 2009
Anticipated date for application for Final Approval of Strata Scheme by the Court	12th February 2009
Effective Date of Scheme	13th February 2009
Record Date to determine entitlements under Scheme	13th February 2009
Implementation Date of Scheme	18th February 2008
Issue and allotment of New Octanex Shares (comprising the Scheme Consideration and consideration for the acquisition of Exmouth)	18th February 2009
Anticipated date for commencement of trading of New Octanex Shares on NSX	20th February 2009

On completion of the transactions outlined in this Explanatory Memorandum, it is estimated that the enlarged Octanex will have net assets of in excess of A\$73,839,070, based on the proforma "management" unaudited balance sheets of each of Strata, Octanex and Exmouth adjusted as noted above for reductions in the value of Octanex's holdings of marketable securities, all as detailed at clause 11.7 below.

Excluding the Octanex Shares, which will be held on trust for sale by the Trustee, the net asset backing of Octanex of \$73,839,070 represents a net asset backing of approximately A\$0.5337 (53.37cents) per share, based on the Octanex post-merger proforma unaudited balance sheet. This is after taking into account provisions for possible future deferred tax liabilities of \$17,548,870.

This Explanatory Memorandum provides significant additional information which is important for you, as an Octanex Member to consider carefully in deciding how to vote on the resolutions to be put to the meeting. Accordingly, you should read this Explanatory Memorandum carefully and in full before making a decision on how to vote in relation to each of the three resolutions to be put to the Octanex General Meeting convened by the attached Notice of Meeting.

You should however understand that unless all three resolutions are passed, none of them will come into effect and the Strata Scheme will also not come into effect.

Separately, the Strata Scheme and the acquisition of Exmouth are also dependent on arrangements being entered into with Upstream Consulting Pty Ltd ("Upstream"), under which 2,000,000 options to purchase ordinary fully paid shares in Strata granted to Upstream in October 2007 are exchanged for like options to acquire ordinary shares in Octanex.

The full details of the phantom shares and options granted to Upstream that are extant at the date of this Explanatory Memorandum are set out in clause 10.12. Under the arrangements for phantom shares, Upstream is effectively entitled to any increase in value of Strata Shares above the Initial Price. No entitlement to shares is created: only a financial obligation. This arrangement will be renegotiated with Upstream and be replaced by Octanex phantom shares on agreed terms.

Consequently it should be noted that the coming into effect of the resolutions is subject to:

- The approval of the Strata Scheme at the Strata Scheme Meeting convened by Order of the Court and approval by Strata Members of the associated reduction of capital of Strata to facilitate the Strata Scheme;
- The passing of all of the resolutions to be put to this Octanex General Meeting; and
- The completion of a rollover agreement between Upstream and Octanex whereby Upstream exchanges its options to acquire shares in Strata for like options in Octanex on the basis that the exchange constitutes "like for like" to satisfy the conditions for rollover relief from CGT under the Tax Act in relation thereto.

Accompanying this Explanatory Memorandum is a:

- proxy form for this Octanex General Meeting (blue) for completion and return by Members;
- reply paid envelope to return your completed proxies for this Octanex General Meeting.

Mr Menzies, as the only Octanex Director qualified and entitled to make a recommendation, recommends that you vote in favour of each of the resolutions to be put to this Octanex General Meeting as the Strata Scheme and the acquisition of Exmouth will not occur unless those resolutions are passed. However, each Octanex Member must make up his or her own mind based on their understanding of the matters set out herein and their own perception of what is in their best interests.

Each Octanex member should, as necessary, consult their professional advisers (solicitor, accountant, stockbroker or licensed financial adviser or other) if he or she does not understand the effect of the proposals on them and their interests.

EXPLANATORY MEMORANDUM

INTRODUCTION

SECTION ONE DETAILS OF THE PROPOSALS

1. INTERPRETATION

1.1 In this Explanatory Memorandum unless the context otherwise requires:

- (a) **"Albers Group"** means, insofar as relevant in this Explanatory Memorandum, means each of Albers Custodian Company Pty Ltd, Auralandia N.L., Australian Natural Gas Pty Ltd, Australis Finance Pty Ltd, Bass Strait Group Pty Ltd, Cue Petroleum Pty Ltd, EG & PJ Albers, EG Albers & EM Larsson, Ernest Geoffrey Albers, Great Australia Corporation Pty Ltd, Great Missenden Group Pty Ltd, Great Missenden Holdings Pty Ltd, Pamela Joy Albers, Sacrosanct Pty Ltd, Sequest Petroleum Pty Ltd, Strata Resources N.L., The Albers Companies Incorporated Pty Ltd, Wilstermere Corporation Pty Ltd, Gascorp Pty Ltd, Great Missenden Holdings Pty Ltd, Setright Oil & Gas Pty Ltd, Australis Finance Pty Ltd and Sacrosanct Pty Ltd,
- (b) **"ASIC"** or **"Commission"** means the Australian Securities and Investments Commission or, in respect of any particular function or power given to the Commission under the Corporations Act, any person to whom the Commission has delegated that function or power;
- (c) **"ASX"** means ASX Limited (ABN 98 008 624 691);
- (d) **"ASX Market Rules"** means the ASX Market Rules binding on Market Participants as defined therein in accordance with the provisions of the Corporations Act as in force from time to time and a reference to ASX Market Rules includes a reference to any rules issued by ASX in substitution or replacement thereof from time to time howsoever styled. Where a company is listed on any Stock Exchange other than ASX a reference herein to ASX Market Rules shall mean a reference to the rules of such Stock Exchange which regulate trading in the securities of that company on that Stock Exchange;
- (e) **"Board"** in relation to any of Strata or Octanex means the board of directors of that party. A reference to the **"Strata Board"** means a reference to the board of directors of Strata and a reference to the **"Octanex Board"** means a reference to the board of directors of Octanex;
- (f) **"Business Day"** means a Business Day as defined in the Listing Rules of NSX;
- (g) **"Business Rules"** means, in the case of NSX those rules promulgated as the Business Rules of NSX and, in relation to any other Stock Exchange means those rules pursuant to which trading in securities on or through the facilities of the Stock Market conducted by it is regulated by that Stock Exchange;
- (h) **"Capital Reduction Resolution"** means the resolution of Members approving the reduction of capital of Strata in accordance with the provisions of Section 256C(1) of the Corporations Act pursuant to which the Shares shall be cancelled without any distribution of assets to the holders thereof;
- (i) **"Commonwealth"** means the Commonwealth of Australia and its external territories;
- (j) **"Company"** or **"Strata"** each mean Strata Resources N.L. (ABN 28 007 687 612);
- (k) **"Corporations Act"** means the Corporations Act 2001 as it applies in Victoria.
- (l) **"Court"** means the Supreme Court of Victoria in relation to matters associated with the Strata Scheme and otherwise means a court of competent jurisdiction under the Corporations Act.
- (m) **"Designated Authority"** means the Designated Authority under the Petroleum Act;
- (n) **"Directors"** means a reference to the directors of Strata acting as a board of directors or otherwise acting in their role or capacity as a director of Strata and a reference to a **"Director"** means a reference to a director of Strata acting in his capacity as a director of Strata;
- (o) **"DMR"** or **"Independent Expert"** each means DMR Corporate Pty Ltd;
- (p) **"Effective"** when used in relation to the Strata Scheme, means the coming into effect, pursuant to Section 411(10) of the Corporations Act, of the Order of the Court made under Section 411(4) (b) in relation to the Strata Scheme.
- (q) **"Effective Date"** means the date on which an office copy of an Order of the Court in relation to the Strata Scheme made under Section 411(6) of the Corporations Act is lodged with the Commission;
- (r) **"End Date"** means the date specified in, or determined pursuant to, clause 4.4 of the Strata Scheme ;
- (s) **"Exmouth"** means Exmouth Exploration Pty Ltd (ACN133 877 326);
- (t) **"Exmouth Tenements"** means the interest of Gascorp in each of permits WA-362-P, WA-363-P, WA-386-P and WA-387-P being acquired by Exmouth as referred to herein;
- (u) **"Gascorp"** means Gascorp Australia Pty Ltd (ABN 15 102 547 884);
- (v) **"Implementation Date"** means the date on which the Strata Scheme shall be implemented being 5.00 pm. AEST on that date which is three (3) Business Days after the Record Date;

- (w) **“Independent Expert”** or **“DMR”** each means DMR Corporate Pty Ltd;
- (x) **“Independent Expert’s Report”** means the report prepared by the Independent Expert contained in Section Two hereof;
- (y) **“Listing Rules”** means, in relation to any Stock Exchange, the rules of that Stock Exchange governing trading in securities quoted on that Stock Exchange as in force from time to time and, in relation to NSX, mean the Listing Rules of NSX as in force from time to time;
- (z) **“Market Participant”** means:
 - (i) a Market Participant as defined in Section 3 of the ASX Market Rules including any person taken to be approved by ASX as a Market Participant under Rule 29.3 of the ASX Market Rules;
 - (ii) where a company is admitted to the official list of an overseas Stock Exchange then any Stockbrokers or Sharebroker or other such person as authorised to deal in securities of that company pursuant to the rules of that Stock Exchange governing trading in or through the facilities of that market;
- (aa) **“New Strata Shares”** means an equivalent number of new ordinary shares in Strata to be issued to Octanex on cancellation of the Shares under the Strata Scheme in accordance with the Capital Reduction Resolution;
- (bb) **“NSX”** means National Stock Exchange of Australia Limited (ABN 11 000 902 063);
- (cc) **“Octanex”** means Octanex N.L. (ABN 61 005 632 315);
- (dd) **“Octanex Directors”** means a reference to the directors of Octanex acting as a board of directors or otherwise acting in their role or capacity as a director of Octanex and a reference to an **“Octanex Director”** means a reference to a director of Octanex acting in his capacity as a director of Octanex;
- (ee) **“Octanex General Meeting”** means the General meeting of members of Octanex convened by the notice of meeting attached hereto;
- (ff) **“Octanex Shares”** means new ordinary shares in the capital of Octanex to be issued and allotted to Strata Scheme Members under the Strata Scheme and to Gascorp on acquisition of Exmouth;
- (gg) **“person”** includes the Crown, and all bodies or persons corporate or unincorporate;
- (hh) **“Petroleum Act”** means the *Offshore Petroleum Act 2006* (formerly the Petroleum (Submerged Lands) Act) and all subordinate legislation made thereunder;
- (ii) **“Record Date”** means that date and time being 5.00 p.m. AEST on the Effective Date;
- (jj) **“Regulations”** means the Corporations Regulations in force under the Corporations Act from time to time;
- (kk) **“Scheme Consideration”** means the Octanex Shares which are to be issued and allotted to the Strata Scheme Members in accordance with the provisions of the Strata Scheme and the Implementation Agreement on the basis that for every Share held by any Strata Scheme Member, Octanex will issue and allot 1.5 Octanex Shares on the basis that fractional entitlements will be rounded down and on the basis the Scheme Consideration to be provided to Foreign Shareholders shall be issued and allotted to a nominee and dealt with in accordance with the Strata Scheme and the Implementation Agreement;
- (ll) **“Strata Scheme”** means the proposed scheme of arrangement to be entered into between Strata and its Members pursuant to which their Strata Shares will be cancelled in consideration of them receiving Octanex Shares being the Scheme Consideration as provided herein before the End Date as specified in or determined under Clause 4.4 of the Strata Scheme. A reference to the Strata Scheme shall include any alterations or conditions imposed in relation thereto pursuant to Section 411(6) of the Corporations Act;
- (mm) **“Strata Scheme Meeting”** means the meeting convened pursuant to the Order of the Court for the purpose of considering and, if though fit, approving the entering into of the Strata Scheme;
- (nn) **“Strata Scheme Member”** means a Strata Member as at the Record Date;
- (oo) **“Share Registry”** means Link Market Service Limited or other person from time to time maintaining the Share Register;
- (pp) **“Strata Shares”** means the ordinary shares in the capital of Strata that will be cancelled under the Strata Scheme ;
- (qq) **“Stockbroker”** and **“Sharebroker”** each mean a person qualified and authorised to act as such under the rules of any Stock Exchange governing trading by members of any such Stock Exchange in any securities of any company or entity the securities of which are listed on such Stock Exchange;
- (rr) **“Stock Exchange”** means any stock exchange on which Octanex securities are listed from time to time (including, but not limited to, NSX);
- (ss) **“Stock Market”** means a stock market conducted by any Stock Exchange;
- (tt) **“Strata”** means Strata Resources NL (ABN 28 007 687 612);
- (uu) **“Tax”** means any tax, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding, which is assessed, levied, imposed or collected by any Government Agency and includes, but is not limited to any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of, any of the above.

- (vv) **“Tax Act”** means the Income Tax Assessment Act 1997 as amended from time to time;
- (ww) **“Trustee”** means Doravale Enterprises Pty Ltd (ABN 69 084 202 362) in its capacity as trustee under the Trustee Stock Scheme;
- (xx) **“Trustee Shares”** means the 20,000,000 Strata Shares held by the Trustee on trust for sale under the Trustee Stock Scheme;
- (yy) **“Trustee Stock Scheme”** means under a Scheme of Arrangement approved by the Supreme Court of Victoria in Matter Number 8795 of 2005 as referred to in clause 10.4 below.

1.2 In this Explanatory Memorandum:

- (a) headings are for convenience only and do not affect interpretation and unless the context indicates a contrary intention;
- (b) a reference to any document (including this Explanatory Memorandum) is to that document as varied, novated, ratified or replaced from time to time;
- (c) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (d) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;
- (e) where 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;
- (f) the word "includes" in any form is not a word of limitation; and
- (g) a reference to “\$” or “dollar” is to Australian currency.

2. THE OCTANEX GENERAL MEETING

The General meeting of members of Octanex convened by the attached Notice of Meeting attached hereto has been convened to consider, and if thought fit, pass with or without amendment, three Resolutions.

Those resolutions are proposed to members to facilitate the acquisition by Octanex of Strata and Exmouth.

Details of Strata and Exmouth are set out at length in the following pages of this Explanatory Memorandum.

Strata is proposing to enter into a Scheme of Arrangement under which its Members will agree to the cancellation of their Strata Shares for Octanex Shares on the basis that they receive what is defined as the “Scheme Consideration” being 1.65 Octanex Shares for every Strata share cancelled.

Separately it is proposed that Octanex acquire, by transfer, all of the shares in the capital of Exmouth (“the Exmouth Shares” for a consideration comprising the issue and allotment to Gascorp, the parent entity of Exmouth, of 30,526,986 Octanex Shares in exchange for the Exmouth Shares.

On the Strata Scheme coming into effect, which is subject to the resolutions to be put to this meeting being passed by the requisite statutory majorities and the approval of the Supreme Court of Victoria, Strata would, on the cancellation of the Strata Shares, issue and allot to Octanex an equal number of New Strata Shares as were cancelled so that Strata becomes a wholly owned subsidiary of Octanex.

Apart from the Strata Scheme, the three resolutions being put to the members of Octanex for approval must be passed for the effective merger of Octanex, Strata and Exmouth to take place.

All of the Resolutions being put to the meeting are interdependent so that unless all resolutions are passed, none will be passed.

Octanex Members are asked to pass resolutions:

- approving the issue of 90,276,900 Octanex Shares to the current shareholders of Strata in effective exchange for their shares in Strata;
- approving those members of the Albers Group who are Strata Members participating in the Scheme Consideration on the same terms and conditions as all other Strata Members;
- approving the issue of 30,526,968 shares to Gascorp to acquire all of its shares in Exmouth.

The consideration payable by Octanex to the Strata Scheme Members under the Strata Scheme described in brief above is the issue of 90,276,900 fully paid Octanex shares. 33,000,000 of these shares will be issued to Doravale Enterprises Pty Ltd ("Doravale"). Doravale currently holds 20,000,000 Strata shares as Trustee of a Trustee Stock Scheme.

If the Octanex shareholders approve the acquisition of Strata, Doravale will hold the 33,000,000 Octanex shares for eventual sale on the same terms as it holds the 20,000,000 Strata Shares referred to above. On sale the net proceeds of sale would go to Strata with the economic benefit thereof being for the benefit of Octanex and its members generally. The Trustee Stock scheme is discussed in clauses 10.4 to 10.6 below.

Octanex has also entered into an agreement to purchase all of the issued capital of Exmouth from Gascorp, subject to shareholder approval. The consideration payable by Octanex to Gascorp is to be satisfied by the issue of 30,526,968 fully paid Octanex shares to Gascorp.

The Albers Group holds an 84.1% interest in Strata and in Section 9.7 of the DMR Report DMR valued Strata at \$27,822,016. As such, the Strata interest held by the Albers Group has a value of \$23,398,315.

Mr E G Albers (through Gascorp) also controls all of Exmouth, which DMR valued in Section 10 of its report at \$16,114,582.

This means that the investments held by Mr E G Albers and the Albers Group in Strata and Exmouth are valued by DMR as having a total value of \$39,512,897. As part of the Proposed Transaction the Albers Group (in aggregate) is to be issued with a total of 78,719,797 Octanex shares. 48,192,829 of these will be issued under the Strata Scheme with the balance of 30,526,968 being issued in consideration for the acquisition of Exmouth.

In Section 11 of the DMR Report, DMR valued each Octanex share before the Proposed Transaction at \$0.47 and after the Proposed Transaction at \$0.49. This means that the Albers Group is, in aggregate, to be issued shares valued at \$38,572,700.

However while the Albers Group may receive consideration of that value, DMR have concluded that the transaction is fair because the value of an Octanex Share is higher after the transaction than before it: effectively acknowledging that Octanex is receiving a greater value from the transaction than it is paying to acquire Strata and Exmouth. The reason this is so is because, based on DMR's valuation, the terms of the acquisition of Exmouth are significantly in favour of Octanex while those in relation to Strata are marginally in favour of the Strata Members under the Strata Scheme.

The resolutions to approve the acquisition of Strata and Gascorp are all subject to one another. This means that Octanex will either acquire both Strata and Gascorp or neither acquisition will proceed. As such the acquisition of Strata and Gascorp has been regarded by DMR in its report as one transaction ("the Proposed Transaction").

3. RESOLUTION TO APPROVE THE ISSUE AND ALLOTMENT OF THE OCTANEX SHARES AS THE SCHEME CONSIDERATION

This resolution is an ordinary resolution and provides that Octanex issue a total of 90,276,900 ordinary fully paid shares to the Strata Scheme Members in accordance with the Strata Scheme, in consideration of the Strata Shares held by the Scheme Members being cancelled and Strata issuing and allotting an equal number of ordinary shares in its capital credited as fully paid up in consideration thereof.

A copy of the Scheme Booklet has been released to NSX and is also available on the Octanex website www.octanex.com.au

3.1 Director's Recommendation in relation to Resolution One

Each of E G and P J Albers abstain from making any recommendation on the resolution as it forms one of three interlocked resolutions and they have an interest in the outcome of the resolutions. Each of E G and P J Albers and their Associates within the meaning of the Corporations Act will abstain from voting on all resolutions put to the meeting.

Mr Menzies considers that he is qualified to make a recommendation and recommends that each Octanex Member entitled to vote at the meeting votes in favour of the resolution. Mr Menzies considers that the terms of issue of the Octanex Shares comprising the Scheme Consideration are fair and reasonable.

The reasons for Mr Menzies recommendations are those matters which he perceives as the advantages of the transactions as set out in clause 7 below and for the reasons set out in the Independent Expert's Report by DMR.

4. RESOLUTION 2: RESOLUTION TO APPROVE EACH OF THE MEMBERS OF THE ALBERS GROUP BEING STRATA SCHEME MEMBERS PARTICIPATING IN THE SCHEME CONSIDERATION PROPOSED TO BE ISSUED UNDER RESOLUTION 1 ABOVE.

This resolution is a Special Resolution. The members of the Albers Group comprise each of E G Albers and P J Albers and their Associates within the meaning of the Corporations Act. Those members of the Albers Group who are members of Strata and who will, as Strata Scheme Members, become entitled to participate in the scheme consideration to be paid under the Strata scheme are each of the following persons and their current shareholdings in Strata and the number of Octanex Shares to which they will become entitled under the Strata Scheme are as follows:

Name of Member of Albers Group	Existing Shares in Octanex	Existing Shares in Strata	Entitlement to Octanex Shares under Strata Scheme	Shareholding in Octanex Subsequent to Acquisition of Strata
Albers Custodian Company Pty Ltd	90,000	1,250,000	2,062,500	2,152,500
Auralandia N.L.	2,509,340	0	0	2,509,340
Australian Natural Gas Pty Ltd	0	1,000,000	1,650,000	1,650,000
Australis Finance Pty Ltd	860,000	1,325,000	2,186,250	3,046,250
Bass Strait Group Pty Ltd	4,033,058	0	0	4,033,058
Cue Petroleum Pty Ltd	2,386,664	500,000	825,000	3,211,664
EG & PJ Albers	5,980,899	9,000,000	14,850,000	20,830,899
EG Albers & EM Larsson	90,000	0	0	90,000
Ernest Geoffrey Albers	746,353	4,457,775	7,355,328	8,101,681
Great Australia Corporation Pty Ltd	315,000	3,000,000	4,950,000	5,265,000
Great Missenden Group Pty Ltd	1,940,060	500,000	825,000	2,765,060
Great Missenden Holdings Pty Ltd	5,450,305	500,000	825,000	6,275,305
Pamela Joy Albers	1,412,500	1,000,000	1,650,000	3,062,500
Sacrosanct Pty Ltd	2,312,210	5,175,000	8,538,750	10,850,960
Sequest Petroleum Pty Ltd	598,000	1,000,000	1,650,000	2,248,000
Strata Resources N.L.	705,000	0	0	705,000
The Albers Companies Incorporated Pty Ltd	2,955,491	500,000	825,000	3,780,491
Wilstermere Corporation Pty Ltd	110,000	1,000,000	1,650,000	1,760,000

Because E G Albers and P J Albers are directors of Octanex they are related parties of Octanex by virtue of being directors of and shareholders in Octanex and will, as Strata Scheme Members, be entitled to participate in the Scheme Consideration on the same bases as any other Strata Scheme Member, the provisions of both Chapter 2E of the Corporations Act and the Listing Rules of National Stock Exchange of Australia Limited (“NSX”) require that for them and any member of the Albers Group to participate in the Scheme Consideration the members of Octanex must first approve the issue and allotment to those Octanex Shares which comprise the portion of the aggregate Scheme Consideration to which they would otherwise be entitled under the Strata Scheme.

For this purpose Octanex has commissioned an Independent Expert’s Report from DMR Corporate Pty Ltd (“DMR”) which report is attached hereto and forms part of this Explanatory Memorandum.

Assuming that all resolutions are passed at this meeting and that the Scheme comes into effect, the members of the Albers Group who are members of Strata will be issue and allotted a total of 48,192,829 fully paid Octanex Shares under the Scheme.

Approval of Resolution 2 is, as referred to in the text of the resolution, an approval for the purposes of Chapter 2E of the Corporations Act and for the purposes of the Listing Rules of NSX.

The notice of meeting attached hereto contains the voting exclusion statements required by the Corporations Act and the Listing Rules of NSX.

4.1 **Director's Recommendation in relation to Resolution Two**

Each of E G and P J Albers abstain from making any recommendation on the resolution as it forms one of three interlocked resolutions and they have an interest in the outcome of the resolutions.

The only director capable of making any recommendation on the resolution is Mr Graeme Menzies.

Mr Menzies considers that he is qualified to make a recommendation and desires to do so.

Mr Menzies considers that the terms of issue of the shares are fair and reasonable and fall within the exclusion in section 210 of the Corporations Act in that the financial benefit which comprises the entitlement to the issue of the Octanex Shares would be reasonable if the Company and the members of the Albers Group were dealing at arms' length having regard to the terms of which Octanex Shares are being issued and allotted and given the conclusions by DMR in their Independent Expert's Report attached hereto.

Mr Menzies considers that the acquisition of Stara and Exmouth effectively comprise one transaction because they are interdependent and either both will occur or neither will occur. Mr Menzies considers that the transactions are in Octanex's interest and in the interests of the Non-Associated Shareholders interests (the Octanex Members other than those Octanex members comprising the Albers Group).

The reasons for Mr Menzies recommendations are those matters which he perceives as the advantages of the acquisitions set out in clause 7 below and for the reasons set out in the Independent Expert's Report by DMR.

However Mr Menzies advises that each Octanex Member qualified and entitled to vote at the meeting must form his own conclusion as to these matters and that each such member should, as necessary, seek independent advice if he or she does not understand the matters set out herein.

Notwithstanding that Mr Menzies also considers that the transaction falls under the exception contained in Section 210 of the Corporations Act, the following information is provided: in like manner as would be required under Section 219 of the Act:

- (i) The related parties who would benefit from the resolution are each of E G and P J Albers and the various members of the Albers Group who are members of Strata. Those persons are more particularly named in the Independent Expert's Report in Section Two below.
- (ii) The nature of the financial benefit that they receive is that they are issued and allotted a total of 48,192,829 Octanex Shares with a value of \$23,614,486 based on the valuations referred to in the Independent Experts Report.
- (iii) The only directors to have an interest in the outcome of the proposed resolution are E G Albers and P J Albers.
- (iv) Within the knowledge of the directors, there is no other information not set out herein or previously disclosed to members and which would reasonably be required by members in order to decide whether or not it is in the interest of the members to pass the proposed resolution.

Mr Menzies recommends to members that they vote in favour of the resolution for the reasons stated above and because of the perceived advantages of implementation of the scheme and the associated acquisition of Exmouth set out in clause 7 below.

5. **RESOLUTION 3: TO APPROVE THE ACQUISITION OF ALL OF THE EXMOUTH SHARES IN EXCHANGE FOR THE ISSUE AND ALLOTMENT OF 30,526,968 OCTANEX SHARES, EACH CREDITED AS FULLY PAID UP**

Again this resolution is a Special Resolution.

Gascorp, which is the vendor of all of the Exmouth Shares, is a company controlled by EG and PJ Albers and, on completion of the acquisition of Exmouth by Octanex, each of the members of the Albers Group would acquire a relevant interest in the Octanex Shares issued and allotted in exchange for the Exmouth Shares.

The sale of the Exmouth Shares to Octanex is proposed to be made pursuant to an agreement to be entered into between Gascorp and Octanex under which Gascorp will exchange the Exmouth Shares for 30,526,968 Octanex Shares. A copy of that Agreement will be tabled at the meeting.

Again, because E G Albers and P J Albers are directors of Octanex and are related parties of Octanex by virtue of their shareholdings in Octanex and will, as members of the Albers Group acquire a relevant interest in the Octanex Shares issued and allotted to Gascorp in exchange for the Exmouth Shares, the provisions of both Chapter 2E of the Corporations Act and the Listing Rules of National Stock Exchange of Australia Limited ("NSX") require that the members of Octanex must first approve the issue and allotment to them of the Octanex Shares they would otherwise receive on completion of that transaction. The members of Gascorp are all members of the Albers Group and their details are as follows:

Shareholder in Gascorp Pty Ltd	No Shares held
Great Missenden Holdings Pty Ltd	1
Setright Oil & Gas Pty Ltd	2,000,000
Australis Finance Pty Ltd	3,000,000
Sacrosanct Pty Ltd	2,000,000
EG & PJ Albers	3,000,000
E G Albers	4
Total	10,000,005

Approval of Resolution 3 is, as referred to in the text of the resolution, an approval for the purposes of Chapter 2E of the Corporations Act and for the purposes of the Listing Rules of NSX. The notice of meeting attached hereto contains the voting exclusion statements required by the Corporations Act and the Listing Rules of NSX.

5.1 **Director's Recommendation in relation to Resolution 3**

Each of E G and P J Albers abstain from making any recommendation on the resolution as it forms one of three interlocked resolutions and they have an interest in the outcome of the resolutions. The only director capable of making any recommendation on the resolution is Mr Graeme A Menzies.

Mr Menzies considers that the terms of issue of the shares are fair and reasonable and fall within the exclusion in section 210 of the Corporations Act in that the financial benefit, which comprises the entitlement to the issue of the Octanex Shares, would be reasonable if the Company and the members of the Albers Group were dealing at arms' length having regard to the terms on which the shares are being issued and allotted and given the conclusions by DMR in their Independent Expert's Report attached hereto. In particular, it is noted that in clause 12 of the Independent Experts Report, Exmouth is valued at \$16,114,582 which gives an issue price of \$0.53 for each of the 30,526,968 shares being issued to acquire it: contrasted to the valuation of \$0.49 per Octanex Share as will exist on completion of the Proposed Transaction.

Notwithstanding the above, the following information is provided: in accordance with the requirements of Section 219 of the Act:

- (v) The related parties who would benefit from the resolution are each of E G and P J Albers and the various members of the Albers Group who are members of Gascorp. Those persons are more particularly named in table above.
- (vi) The nature of the financial benefit that they receive is that they are issued and allotted a total of 30,526,968 Octanex Shares with a value of \$14,958,214 (based on Section 15 of the Independent Experts Report).
- (vii) The only directors to have an interest in the outcome of the proposed resolution are E G Albers and P J Albers.
- (viii) Within the knowledge of the directors, there is no other information not set out herein or previously disclosed to members and which would reasonably be required by members in order to decide whether or not it is in the interest of the members to pass the proposed resolution.

Mr Menzies recommends to members that they vote in favour of the resolution for the reasons stated above and because of the perceived advantages of implementation of the scheme and the associated acquisition of Exmouth set out in clause 7 below.

6. INDEPENDENT EXPERT'S RECOMMENDATIONS IN RELATION TO THE PROPOSED TRANSACTION

In DMR's Independent Expert's Report, DMR concludes in clause 3 thereof that the Proposed Transaction set out in above **is fair and reasonable to the Non-Associated Shareholders**. DMR's principal reasons for reaching the above opinion are:

Fairness

- *DMR assessed the value of one Octanex share before the Proposed Transaction at \$0.47 – Section 7.7 of the DMR Report*
- *DMR assessed the value of one Octanex share after the Proposed Transaction at \$0.49 – Section 10 of the DMR Report.*
- *As the value of one Octanex share after the Proposed Transaction is greater than the value of one Octanex share before the Proposed Transaction, DMR consider that **the Proposed Transaction is fair.***

Reasonableness

*DMR have also reviewed the other significant factors referred to in Section 13 of its report and we consider that **the Proposed Transaction is reasonable.***

Members are recommended to read the DMR Report in full.

7. PERCEIVED ADVANTAGES AND DISADVANTAGES OF THE PROPOSED TRANSACTION

7.1 Advantages of the proposed transaction

The Directors view the transactions as an opportunity for Octanex to maximise shareholder value for all Octanex Members. Specifically, the Directors consider that the proposed merger of interests is attractive for a number of strategic reasons:

- (a) In the opinion of the Directors, the merger with Strata represents a value maximizing transaction. The directors currently see no other alternatives which would offer the same range of benefits for security holders.
- (b) The merger terms have had regard to a range of possibilities, including the Directors' assessment of the strengths and opportunities inherent within a combined group, while at the same time being pitched at the same value implied by recent underlying asset transactions.
- (c) The financial strength, business assets and standing of the expanded Octanex will bring about greater certainty of value for both Strata and Octanex Members.

The directors also consider that the following structural advantages flow from approval of the transactions :

- (d) The interests of neither the Strata Members nor the Octanex Members are, in the opinion of Directors, adversely affected and the transactions are fair as referred to by DMR as the Independent Expert as the value of the Octanex Members' interests increases after the implementation of the transactions. The Independent Expert has also concluded that the Strata Scheme is reasonable;
- (e) The effective merger of the interests of both Strata and Octanex and the combined cash resources of Octanex resulting from the merger may result in investment in Octanex being more attractive to new investors, both increasing the market value of Octanex and providing investors with an improved market for their Octanex Shares as a result of that greater combined asset base and an increased membership base.

- (f) The merger will form a company with greater critical mass with the combination allowing larger or more diverse transactions than any of Strata, Octanex or Exmouth could contemplate at present.
- (g) Economies will flow resulting from the combination of the entities into one public entity.

7.2 Disadvantages of the proposed Transaction

Whilst your directors acknowledge the following risks and disadvantages, they believe that the advantages outlined above outweigh any disadvantages that may arise from the proposed transaction.

- (a) The effect of the transactions will be dilutive of the interests of Octanex Members existing interests. Instead of controlling 38.52% of Octanex's shares, as at present, after the merger and acquisition of Exmouth and Strata, the present Members will hold a total of 19,474,457 Octanex Shares out of a total of 138,360,705 Octanex Shares (excluding the Trustee Shares): which represents 14.07% of the total Octanex Shares on issue (excluding the Trustee Shares). Including the 33,000,000 Trustee Shares the Members will hold 19,474,457 Octanex Shares out of 171,360,705 Octanex Shares on issue representing 11.36% of the total capital of Octanex. Additionally, although Octanex and Strata holds identical exploration interests, their other assets differ and Members interests in Octanex's assets post both the merger with Strata and the acquisition of Exmouth will mean that the assets in which Octanex Members have an interest are a different blend of assets, which is more heavily weighted towards exploration assets than at present.
- (b) As the combined Octanex post-Scheme will be significantly larger than the present Octanex, by approving the resolutions to permit the transactions to occur, Octanex Members will have a direct exposure to both the benefits and risks associated with an expanded exploration risk profile.

If you have any doubts about the potential impact of any of these issues on Octanex you should consult your stockbroker, accountant or other professional advisor.

8. ACTION TO BE TAKEN BY OCTANEX MEMBERS

Members are encouraged to attend and vote in favour of the resolutions to be put to the meeting convened by the attached Notice of Meeting.

Members should pay careful attention to the instructions on the notice of meeting and proxy form and seek professional advice if they do not understand any aspect of the matters raised in this Explanatory Memorandum, the notice of meeting or the form of proxy.

To enable the Company to comply with Section 251AA of the Corporations Act, the proxy form contains three columns to enable Octanex Members to vote for or against the resolution or to direct their proxyholder to abstain from voting on the resolution. Where a Member does not direct the proxyholder to vote for or against or abstain from voting then the proxyholder may vote at the proxyholder's discretion.

9. OVERVIEW: COMMERCIAL JUSTIFICATION AND PURPOSE FOR THE STRATA SCHEME

Strata and Octanex have significant interests in common as set out and detailed in clause 10.1 below. The primary aim of the Strata Scheme is to combine those interests under the control of Octanex.

This commonality of interests and the combined resources held by Strata and Octanex will create a company which has distinct commercial and operating advantages.

Your Directors believe that the following are the main benefits that will result from the merger of Strata with Octanex under the Strata Scheme:

- A more robust financial structure than either of Strata or Octanex in their present form. On the Strata Scheme coming into effect, and including the acquisition by Octanex of Exmouth and, based on the pro forma balance sheets of Octanex, Strata and Exmouth set out herein, Octanex would have net shareholders funds approximating A\$73,839,070, including approximately \$42,303,728 represented by cash at bank or on deposit and significant exploration assets as described herein. Current liabilities would be approximately \$11,241,624 and total liabilities are estimated at \$38,321,748. These liabilities include a pro forma provision for deferred tax of \$17,548,870, based on the value of the assets as shown in the post-merger pro forma balance sheet of Octanex at clause 11.7 below.

- Operational efficiencies that will be achieved through the consolidation of duplicate activities.
- A market for Strata Scheme Members to deal in the Octanex Shares received as the Scheme Consideration: which they presently lack as Strata is unlisted.
- The prospect of an increase in value in the Octanex Shares they receive as Scheme Consideration: provided that the investment community understands the inherent underlying value in the combined structure and the merger of interests taking place.

This combination of interests and consolidation of assets is made more compelling by the recent worldwide collapse of financial markets, including stockmarkets.

10. BACKGROUND: STRATA

Strata holds interests in 11 petroleum exploration permits situated in the offshore basins of Australia, with a concentration of these permits on the Greater North West Shelf offshore from Western Australia. These permits are located in regions of intense exploration activity.

Five of the permits are located in the offshore Exmouth Sub-basin (WA-322-P, WA-329-P, WA-384-P, WA-385-P & WA-394-P), with a further two permits located on the Exmouth Plateau (WA-362-P and WA-363-P)

Two of the permits are located in the Dampier Sub-basin (WA-323-P and WA-330-P). The two remaining permits are located in the offshore Otway Basin (EPP34 and Vic/P61) offshore South Australia and Victoria.

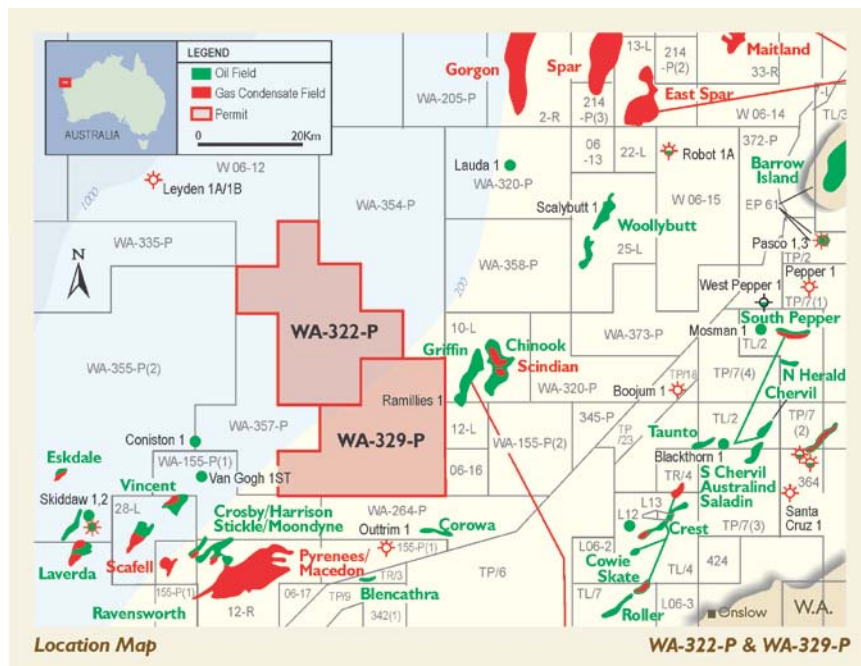
Strata and Octanex hold equal interests in all of these 11 permits.

10.1 Business and Operations

WA-322-P (Exmouth Sub-basin)

The WA-322-P joint venture consists of:

Octanex NL	50% (Operator)
Strata Resources NL	50%



In early 2004 Strata and Octanex entered into an agreement with BHP Billiton Petroleum Pty Ltd (“BHP”) and Apache Energy Limited (“Apache”) for the sale and subsequent assignment of a 100% working interest in WA-322-P in the offshore Exmouth Sub-basin of Australia.

In return, BHP and Apache agreed to the acquisition and processing of 3D seismic in Strata and Octanex’s adjacent exploration permit, WA-329-P, as well as an initial cash payment, a deferred cash payment contingent upon entering the 5th permit year or the earlier drilling of a well in WA-322-P and the granting of an overriding royalty interest with respect to revenue from any future production from WA-322-P, less applicable petroleum resource rent tax.

In addition, BHP and Apache were required to offer to reconvey the permit to Strata and Octanex should they decide not to proceed further with exploration or to relinquish the Permit before its full-term expiry.

In November 2007, after completing applicable work programs, BHP and Apache elected to re-convey a 50% interest in WA-322-P to the each of Strata and Octanex as set out in the agreement.

Each of Strata and Octanex elected to accept the reconveyance and each of them agreed to hold their respective 50% interests in the permit by way of their jointly owned custodian company, United Oil & Gas Pty Ltd (“United”) which acts as a bare trustee for Strata (as to 50%) and for Octanex (as to 50%). The reconveyance has now been completed.

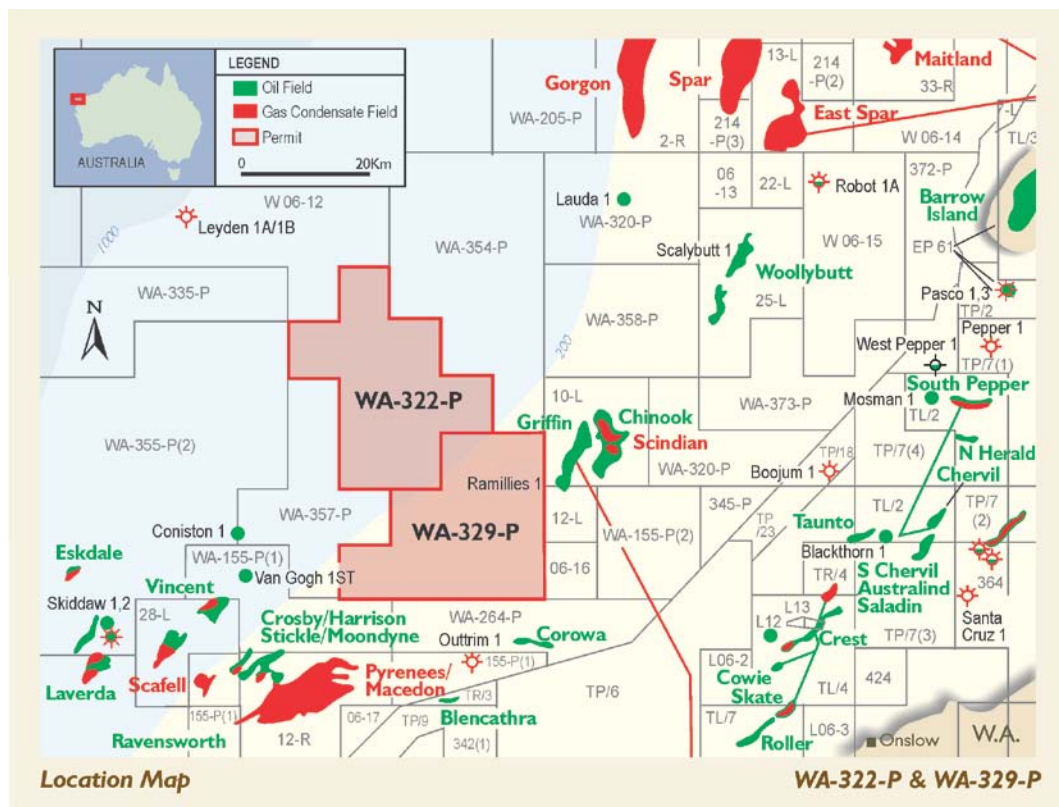
Prior to entering Year-5, United sought a variation of the permit terms for WA-322-P so that the future obligations in relation to the permit are as follows:

Year-5 (ends 21 March 2009)

Data review. Purchase of existing 3D seismic data. Acquire interpreted data from the prior permit holder. This work program has been completed.

Year-6 (commences 22 March 2009)

Drill one well. No decision has yet been made as to whether to enter year 6 and commit to the drilling of a well.



WA-329-P (Exmouth Sub-basin)

The WA-329-P joint venture consists of:

Octanex NL	50% (Operator)
Strata Resources NL	50%

In July 2005, Strata and Octanex entered into an agreement with BHP and Apache for the sale and subsequent assignment of a 100% working interest in WA-329-P, a petroleum exploration permit in the offshore Exmouth Sub-basin of Australia.

BHP and Apache became responsible for the terms and conditions of the Permit, made a cash payment to each of Strata and Octanex and agreed to make a deferred cash payment contingent upon entry into the 5th permit year or the earlier drilling of a well in WA-329-P. They granted an overriding royalty interest from any future production; less applicable petroleum resource rent tax. In addition, BHP and Apache were required to offer to reconvey the Permit to Strata and Octanex should they decide not to proceed further with exploration or to relinquish the Permit before its full-term expiry.

In November 2007, BHP and Apache elected to offer to re-convey WA-329-P to Strata and Octanex. Each of Strata and Octanex elected to accept the reconveyance and each agreed to hold their respective 50% interest in the permit through United in like manner as for WA-322-P.

Documentation to effect the conveyance of the permit to United has also been approved by the Designated Authority.

United has also sought a variation of the permit terms for WA-329-P so that the future obligations are as follows:

Year-5 (ends 21 September 2009)

Data review. Purchase of existing 3D seismic data. Acquire interpreted data from the prior permit holder. This work program has been completed.

Year-6 (commences 22 September 2009)

Drill One well. No decision has yet been made as to whether to enter year 6 and commit to the drilling of a well.

Technical Matters applicable to both WA-322-P and WA-329-P

Under the original agreement with BHP and Apache, BHP and Apache provided copies of new basic data held by them relating to WA-322-P and WA-329-P. BHP and Apache had acquired a substantial amount of 3D seismic over both permits, being part of the HCA04A 3D seismic survey. This includes approximately 640 km² of 3D seismic within WA-322-P and 107 km² of seismic within WA-329-P. Octanex and Strata also hold a licensed version of the reprocessed Swell-Baylis 3D dataset of some 800 km² in WA-329-P.

WA-322-P has now been almost entirely covered by a comprehensive 3D survey – the HCA04A 3D survey, while WA-329-P is mostly covered by the Swell Baylis 3D and a small part of the West Gorgon 3D which the joint venture has acquired access to.

Strata and Octanex also purchased BHP and Apache's interpretative information. Further interpretation of this information and data will place Strata and Octanex in a significantly improved position to assess the exploration potential of the Permits to seek farmin proposals from third parties or to make an informed decision on whether to enter Year-6 and to accept a well obligation in either or both permits.

Dampier Joint Venture WA-323-P and WA-330-P (Dampier Sub-basin)

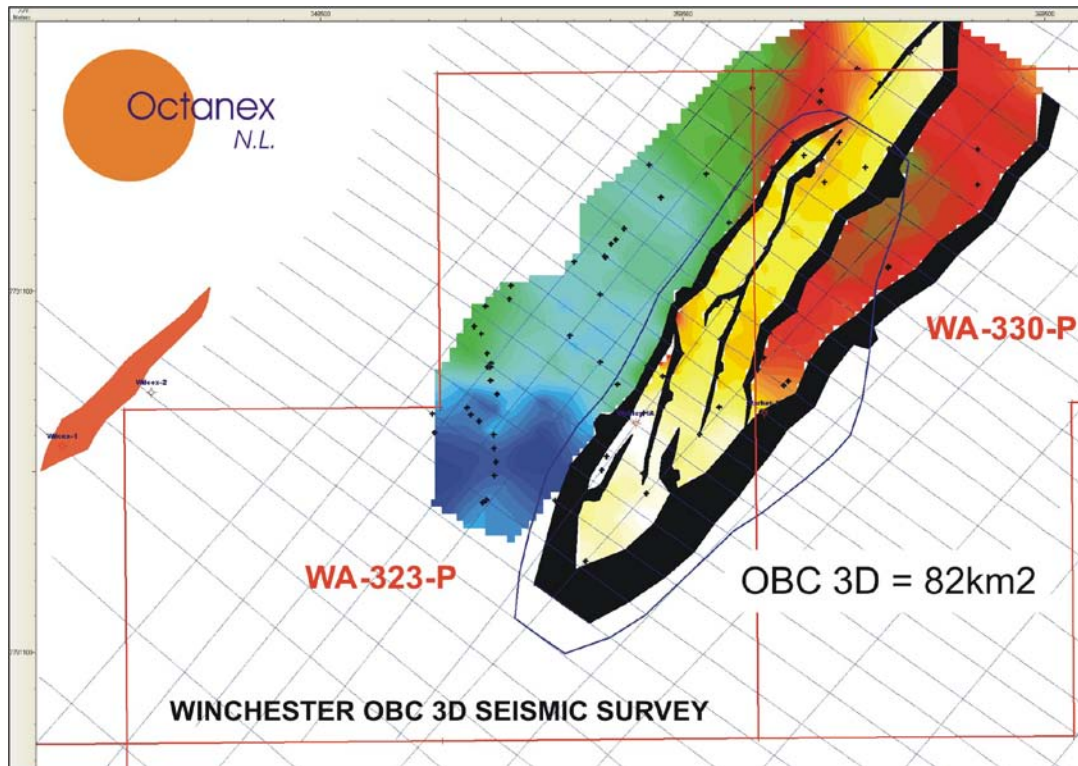
This joint venture consists of:

Octanex NL	50% (Operator)
Strata Resources NL	50%

Strata holds a 50% interest in the Dampier Project which now consists of two contiguous tenements, WA-323-P and WA-330-P, which comprise a discrete project area of 640 kms². Previously, the joint venture completed the shooting of the Tourmaline Survey of 1,578 line km of new 2D seismic over these permits and the adjacent WA-321-P permit. This has been processed and interpreted. The formerly held WA-321-P was the subject of a relinquishment during the year following interpretation of that seismic survey.

The main area of joint venture focus is a potential drape trap over the Webley/Parker horst structure. This has been identified by the joint venture and named the Winchester Prospect. It is seen as having potential for Triassic and or Early Jurassic structural traps.

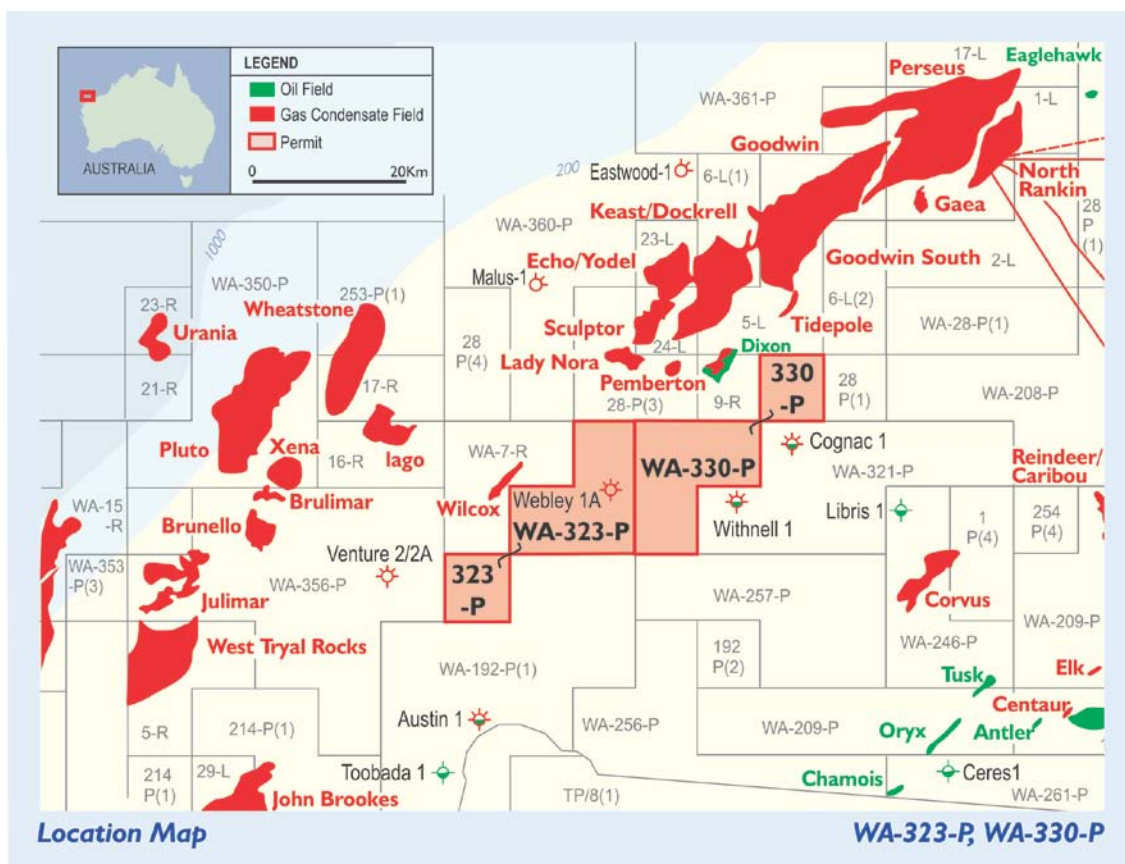
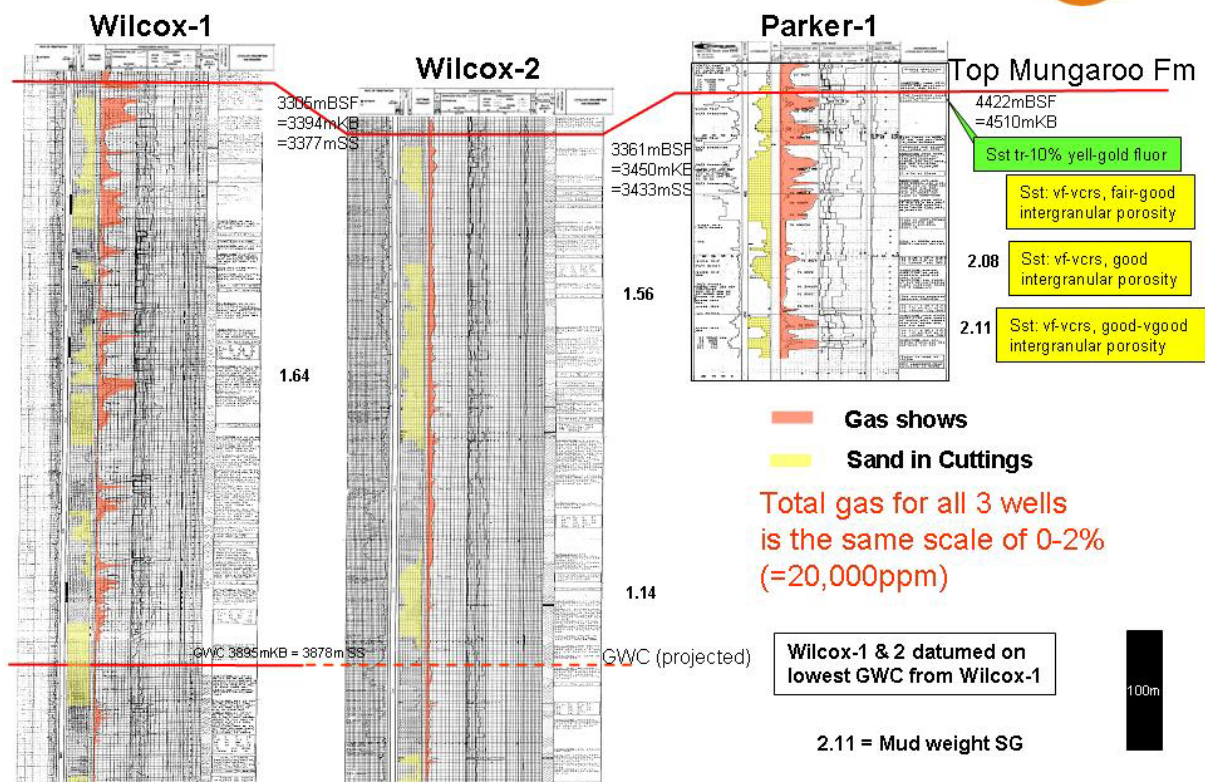
To this end, Strata, with its co-venturer Octanex, entered into a US\$9.75 million agreement with Geokinetics (Australasia) Pty Ltd in mid 2008 and commenced the acquisition of an off-bottom cable (OBC) 3D seismic survey within WA-323-P and WA-330-P. The total outline area of the survey was some 195 km², of which approximately 82 km² was the subject of high-fold data acquisition, while the remaining perimeter outside the 82 km² area provides further, less intensive, seismic data (see below).



The general region is proven for the formation, location and production of both oil and natural gas. Major commercial hydrocarbon discoveries in proximity to the permits include the giant gas and condensate fields of the North West Shelf; these being Goodwyn, North Rankin and Perseus, while the significant oil fields of Lambert, Wanaea and Cossack are in the north of the region. Recently, new and sizeable gas discoveries have been made at Julimar, Brunello, Brulimar, Xena, Pluto and Wheatsone, to the immediate west of the permits, while the Lady Nora and Pemberton discoveries have been made to the north.

The joint venture's aim is to determine whether there is a large and viable structure at Winchester, with potential Triassic Mungaroo reservoirs, and with sufficient potential for liquid rich gas to be worth drilling. In the vicinity there are two wells and five well penetrations (Parker-1 + ST1 (1979/80) and Webley-1 + ST1 & 1A 1998/9). The joint venture believes that the Parker penetrations, in 1979/80, made by Woodside demonstrated a gas discovery in the Triassic. None of the Webley-1 well penetrations were deeper than the upper part of the Early Cretaceous regional seal. Those Webley penetrations were therefore entirely invalid as regards their Jurassic/Triassic targets. The target previously seen by others in the Webley well remains undrilled. The Parker-1 well penetrated Middle Jurassic shales on a terrace, but because of drilling problems was not logged before TD. The well ended in stacked sands and shales. The Parker well was then side tracked, but again the sands were not logged due to rig (anchor chain broke) and subsequent drilling problems. The sands in the Parker-1 well and Parker-1 Side Track both contained strong gas shows (see next figure below). The cuttings contained coal, which is known to occur in the Triassic Mungaroo in nearby wells. While the sands were not dated, none of the nearby wells contain similar stacked sands, except in the Triassic Mungaroo. The joint venture therefore regards this as further evidence of the likelihood that the Parker-1 penetrations were a Triassic gas discovery in the Mungaroo sands.

Parker-1 Gas Discovery compared with Wilcox-1 Gas Discovery



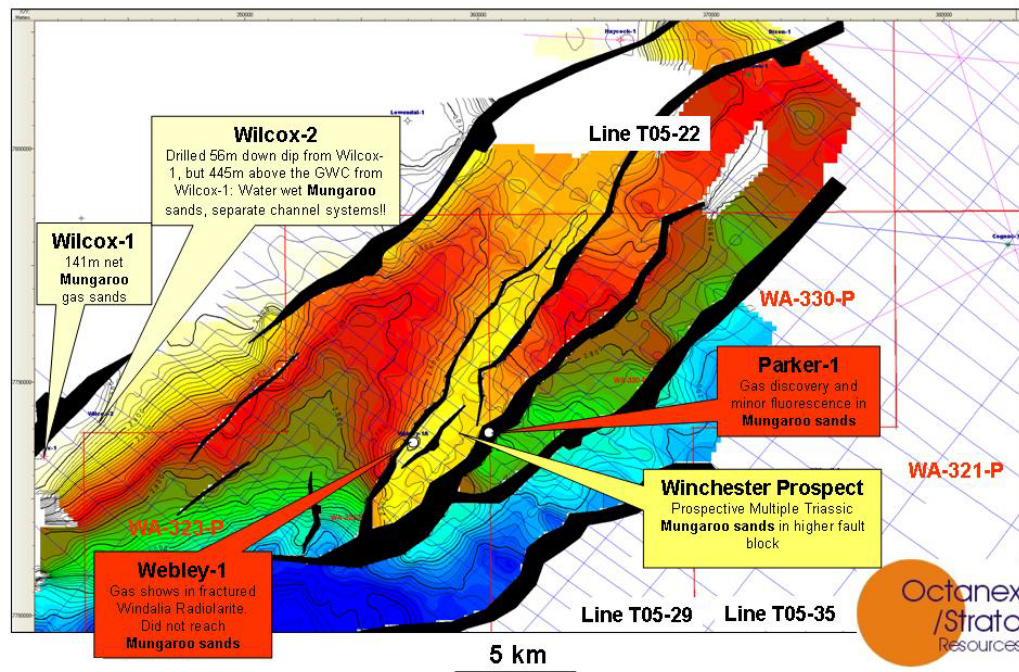
The prime purpose of the acquisition of the Winchester OBC 3D seismic survey was aimed at providing information and insight into the horst and will demonstrate the depth and extent of a closure of the Winchester feature.

The joint venture is confident that the Parker gas shows represent potential for a significant gas accumulation that extends updip into the Winchester horst to the west and possibly within the terrace block as well, in which event the trap would be larger.

The following diagram shows the juxtaposition of the Winchester Prospect to the Parker-1 gas discovery and the Wilcox gas discovery.

As well as providing a gas log comparison to the Parker 1 well gas shows, the Wilcox 1 well provides encouragement for the concept that the Winchester feature may provided a liquids rich gas, as Wilcox 1 gas comparison suggests that the Wilcox 1 gas carries 66 – 79 barrels of condensate per million cubic feet of gas. Such a ratio would be a highly attractive element in any decision to test the feature as the liquids would constitute a value approximately equivalent to the volume of the gas.

Parker/Webley Horst - Top Triassic TWT Map Winchester Prospect



In summary, the joint venture has undertaken the Winchester OBC 3D seismic survey and thus incurred a substantial cost obligation (US\$9.75 million) for the survey for the specific purpose of being able to better visualise structure and stratigraphy, in the anticipation that it may amount to a sizeable and attractive drilling target.

The proximity of existing infrastructure and likely future infrastructure extensions, as well as new infrastructure, bodes well for any discovery, whether oil or gas in this project area. Significant future demand for gas to supply both domestic demand and the proposed Wheatstone and Pluto LNG developments are anticipated, so that any potential gas discovery made in the permits is seen as being valuable and capable of monetisation, particularly so, if such a gas discovery were to be rich in gas liquids.

Permit terms for each of WA-323-P and WA-330-P are as follows:

Year-5 (ending 21 March 2009)

Acquire 400 kms of new 2D seismic.

Year-6 (commencing 22 March 2009)

Drill one well.

WA-362-P and WA-363-P (Exmouth Plateau)

This joint venture consists of:

OMV Australia Limited	30% and Operator
ENI Australia Limited	30%
Octanex NL	14%
Strata Resources NL	14%
Exmouth Exploration Pty Ltd	12%

In August 2007 Strata and its joint venturers entered into a new joint venture with OMV Australia Limited (“OMV”) and ENI Australia Limited (“ENI”) in relation to WA-362-P and WA-363-P and Strata now holds a 14% interest in each of these permits.

The permits, which cover an aggregate area of approximately 21,765 sq kms, are on the northern margin of the Exmouth Plateau, 300-400 kms north west of the Western Australian coastline.

The Exmouth Plateau is the largely unexplored deepwater frontier of the Carnarvon Basin, Australia’s largest petroleum basin which includes the giant gas resources of the North West Shelf (Rankin Trend), the Greater Gorgon region and Io/Janz. The map below shows the location of the two permits.

As part of the arrangements establishing the new joint venture, Strata agreed to assign a 21% interest in each permit for a monetary amount, retaining a 14% equity interest in each permit. OMV and ENI agreed to acquire and process 2D seismic data in each permit. This will meet all the current and future seismic work obligations for each permit. OMV and ENI also have the right under the farmin agreement to earn a further 7% interest in each permit from Strata (leaving Strata with a then retained 7% interest in each permit) by meeting all the costs of the first two wells that the farminees may elect to drill in each permit.

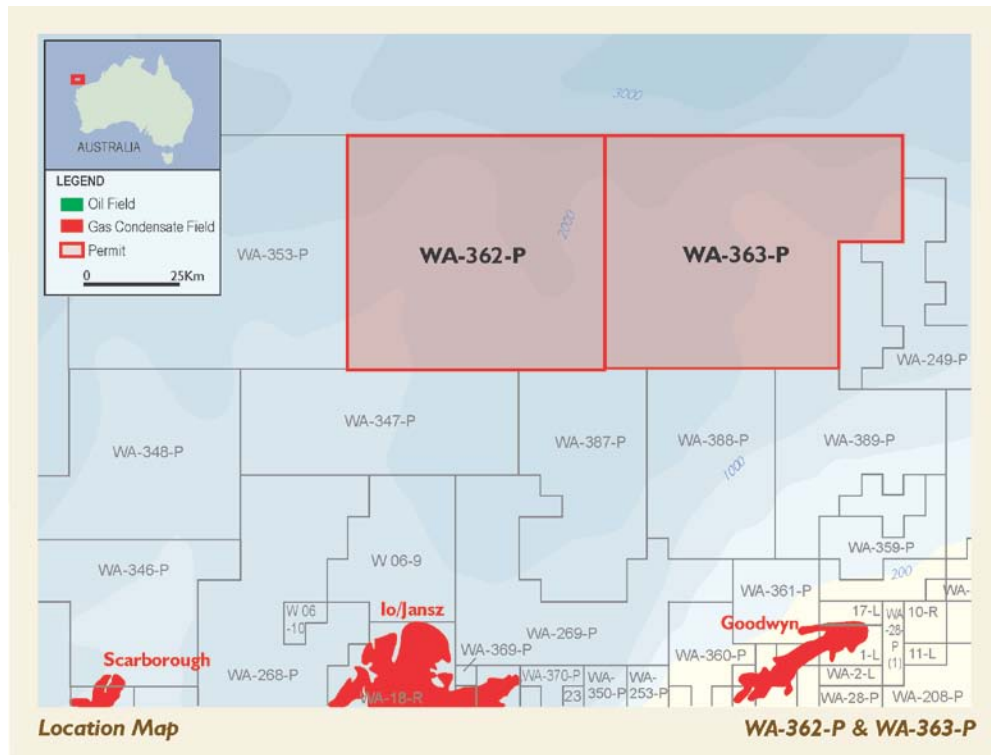
Finally, if all of Octanex, Strata and Exmouth, as Gascorp’s assignee, do not wish to participate (by being carried) in a well which OMV and ENI may elect to drill at their discretion on a permit, they collectively have a right, exercisable within 60 days of receiving a formal notice from OMV and ENI as farminors, to elect to assign their collective remaining 40% interest in the permit to OMV and ENI for US\$16,000,000 for the permit. This right exists in relation to each of the four permits in which ENI and OMV have farmed into.

In relation to each of 362-P and WA-363-P, this would mean a right for:

- Exmouth to sell its residual interest in each permit for US\$4,800,000 (a total of US\$9,600,000 for both permits);
- Strata to sell its residual interest in each permit for US\$5,600,000 (a total of US\$11,200,000 for both permits);
- Octanex to sell its residual interest in each permit for US\$5,600,000 (a total of US\$11,200,000 for both permits).

On completion of the merger and acquisition of Exmouth this right will be under the control of Octanex in each case. This would give Octanex a potential receivable of a further US\$32,000,000 (a total of A\$50,000,000 at an exchange rate of A\$1.00 = US\$0.64). This is in addition to an equivalent amount relating to the permits in which Exmouth holds the entire residual 40% as referred to in clause 7 below.

The joint venture Operator, OMV, has now completed the acquisition of the 7,407 line kms Klimpt 2D seismic survey of which 4,659 was acquired within WA-362-P and WA-363-P.



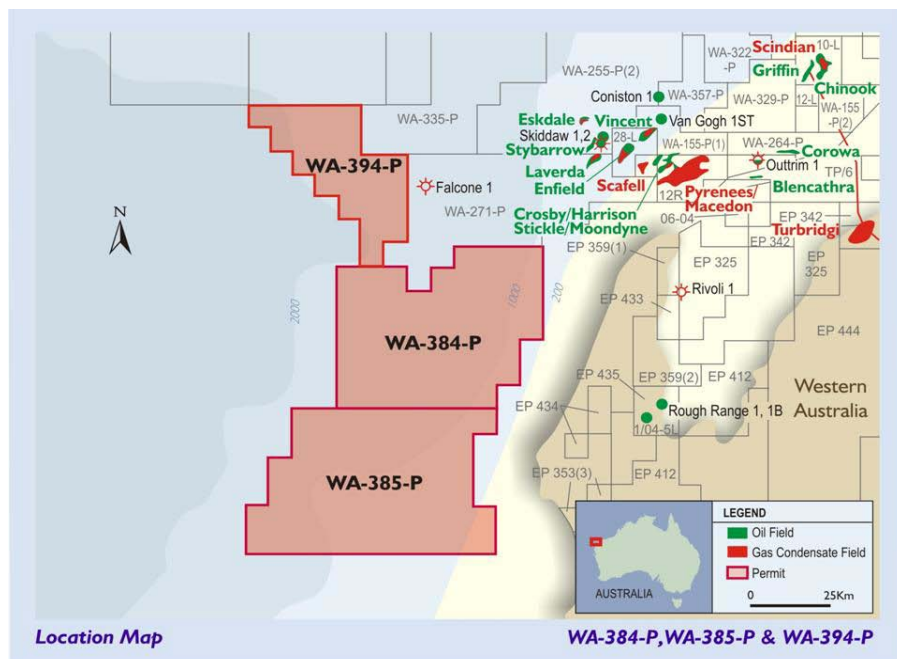
WA-384-P, WA-385-P AND WA-394-P (Southern Exmouth Sub-basin)

This joint venture consists of:

Octanex NL	50% (Operator)
Strata Resources NL	50%

WA-384-P, WA-385-P and WA-394-P are located in the southern Exmouth Sub-basin.

Strata has entered into an agreement with Shell Development (Australia) Pty Ltd ("Shell") for the disposition of its 50% working interest in each of the three permits, as has Octanex (on the same terms and conditions). Shell has acquired a 100% working interest in the permits. It is understood that Shell will acquire seismic in all 3 permits during 2008/2009.



Under the agreements:

- Shell paid Strata an amount of US\$15,000,000. Receipt of these funds is recognised in Strata's 30 June 2008 audited financial statements. Those funds were converted into Australian currency before 30 June 2008.
- Shell has agreed it must either commit to a well before the start of Permit Year 5 (21 August 2010 in the case of WA-384-P and WA-385-P and 21 February 2011 in the case of WA-394-P) or reassign to Strata for nil consideration a 50% interest in any permit where no well commitment is made.
- Shell has agreed to make a "Discovery Payment" to Strata for any Discovery (as defined in the agreement) made in the permits but limited to a maximum of three Discovery Payments per permit. Within six months of having made a Discovery Shell must either:
 - (i) Pay US\$2,500,000 to Strata; or
 - (ii) Reassign to Strata a 50% interest in the permit in which the Discovery was made.
- Following an initial Discovery Payment, if Shell:
 - (i) spuds an appraisal well in respect of the Discovery; or
 - (ii) applies for a production licence or retention lease in respect of any Discovery;then Shell must pay a further US\$2,500,000 to Strata.
- Shell has also granted in favour of Strata and Octanex a 1% Overriding Royalty (as defined in the agreement) payable on the basis of the gross assessable petroleum receipts recovered from a permit.
- If at any time Shell wishes to exit from any of the three permits, a 50% interest in the relevant permit must be offered back to Strata.

Shell is a world class operator and is committed to the conduct of a thorough assessment of the exploration potential of the three permits. While Strata no longer has any direct equity interest in the permits, it retains significant access to the upside exploration potential in them through the mechanism of the Discovery Payments and the Overriding Royalty (both described above).

The provisions of the agreement with Strata are mirrored by the agreement Shell has with Octanex.

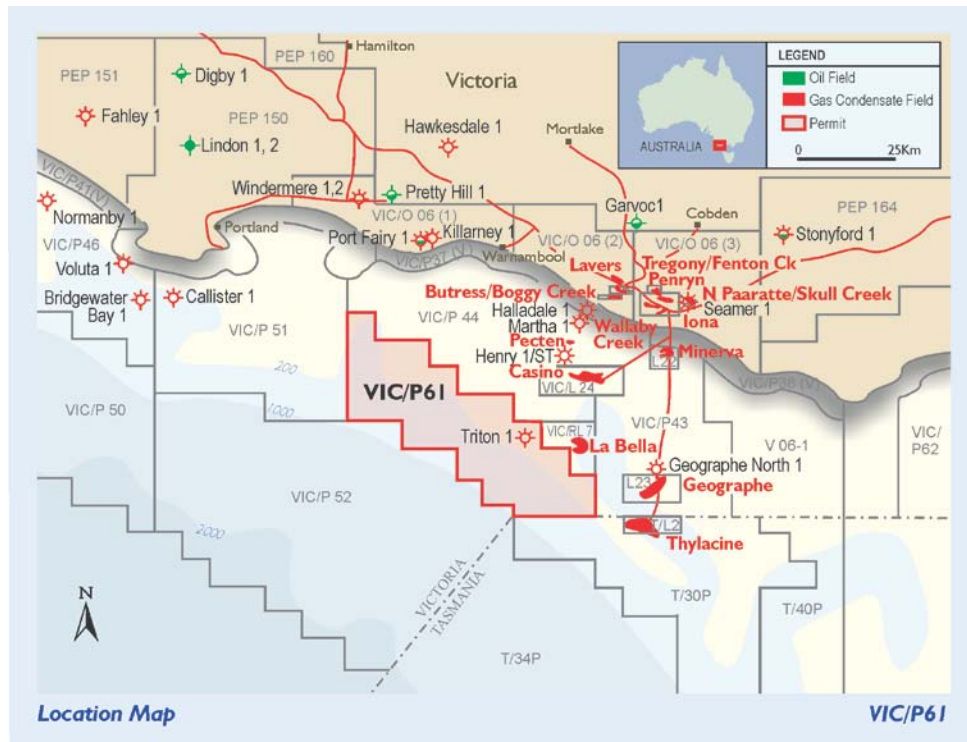
Vic/P61 (Otway Basin)

The Vic/P61 joint venture consists of:

Exoil Limited	30% and Operator
Gascorp Australia Pty Ltd	30%
Moby Oil & Gas Limited	20% earning pursuant to farmin
Octanex NL	10% earning pursuant to farmin
Strata Resources NL	10% earning pursuant to farmin

Strata has agreed to earn a 10% interest in Vic/P61 in return for meeting a 10% share of past costs and future ongoing costs.

A 2D seismic program in Vic/P61 was planned to take place in Q2, 2009 but has been delayed pending resolution of environmental conditions.



EPP 34 (Otway Basin)

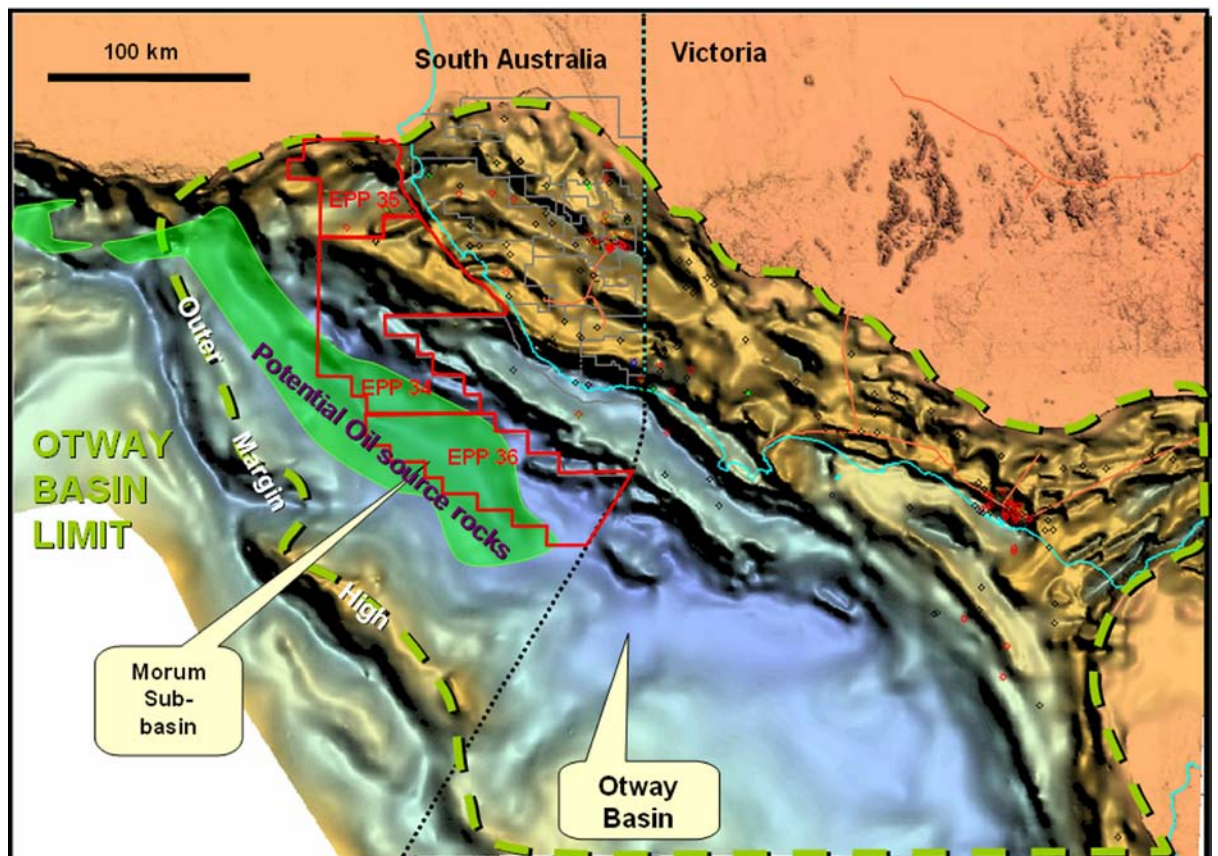
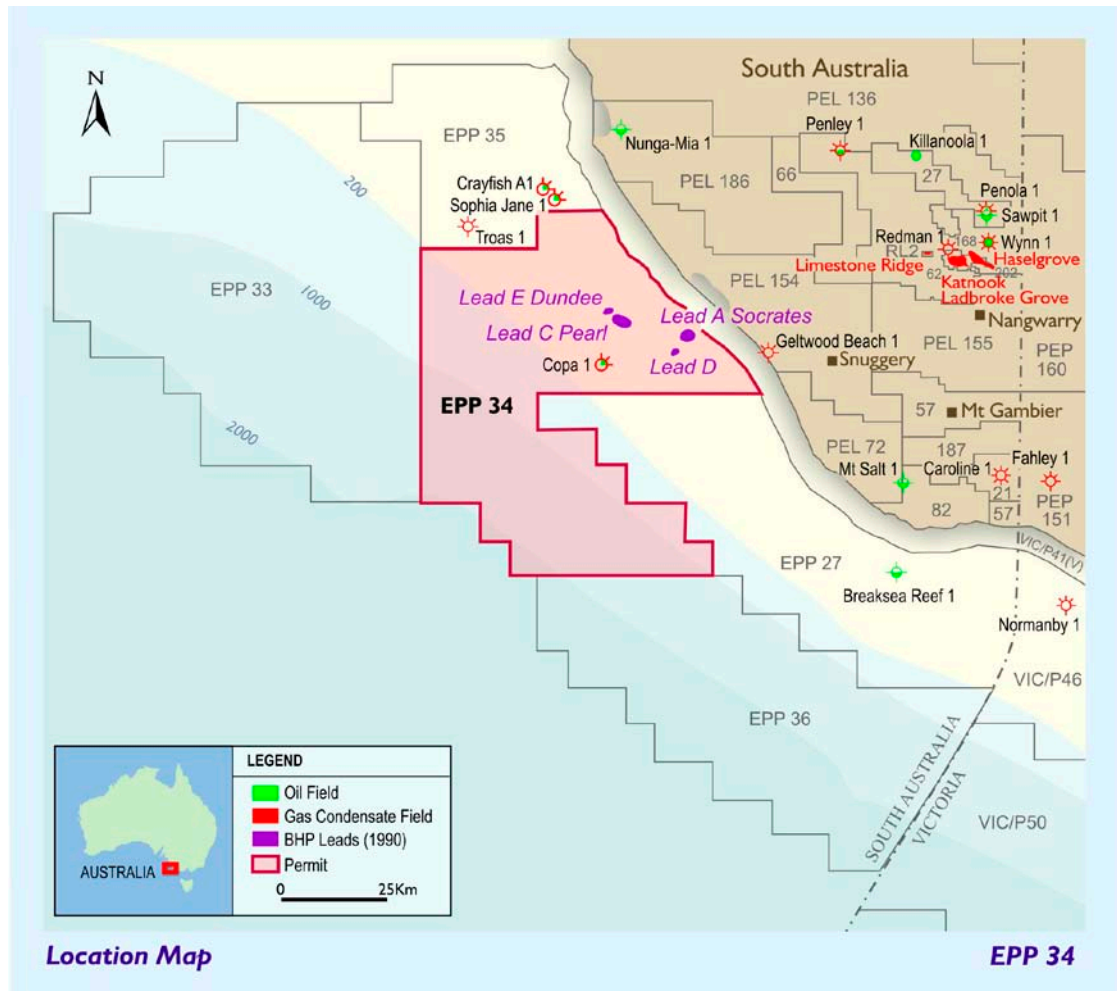
The EPP 34 joint venture consists of:

Exoil Limited	25% and Operator
Moby Oil & Gas Limited	20%
National Energy Pty Ltd	25%
United Oil & Gas Pty Ltd	30% (Strata and Octanex as to 15% each)

A seismic grid of 1,100 km of new 2D data was acquired as the Trocopa 2D Seismic Survey. Processing of this data and reprocessing of old data is now underway. Interpretation has focused on the northern shelfal section of the block, targeting the Early Cretaceous Pretty Hill Sandstone.

Parts of EPP34 are parallel to the Morum Sub-basin. The permit is thought to have excellent reservoir potential for stacked plays in thick Upper Cretaceous section. Because of its proximity to the Morum Sub-basin, EPP34 is postulated to have scope for marine influenced source rock in deep water.

The new seismic survey and reprocessed older data is expected to provide extensive modern 2D coverage in the northern part of the permit and is expected to open up the joint venture to the possibility of a series of gas and oil plays.



Morum Sub-basin: Potential for oil-prone source rocks adjacent to and in EPP34

10.2 Investments in marketable securities

Octanex

Strata holds 705,000 ordinary shares in Octanex (NSX Code: "OCT") a company listed on NSX, together with an equal number of options to acquire ordinary shares in Octanex exercisable at \$0.25 up to 5:00 pm on 30 June 2009 (NSX Code: "OFTOF"). Information about Octanex is set out herein and may also be obtained from documents lodged by Octanex with NSX, ASIC and from the Octanex website www.octanex.com.au

Moby Oil & Gas Ltd

Strata holds 1,863,806 ordinary shares in Moby Oil & Gas Ltd (ASX Code: "MOG"), a company listed on ASX. Information about MOG may be obtained from MOG, from documents lodged by MOG, with ASX and ASIC and from the MOG website www.moby.com.au

Bass Strait Oil Company Ltd

Strata holds 2,000,000 ordinary shares in Bass Strait Oil Company Ltd (ASX Code: "BAS"), a company listed on ASX. Information about BAS may be obtained from BAS, from documents lodged by BAS with ASX, ASIC and from the BAS website www.bassoil.com.au

10.3 Present Share Capital and Structure of Strata

The present issued capital of Strata comprises 54,713,273 fully paid ordinary shares of which 20,000,000 are Trustee Shares held by Doravale Enterprises Pty Ltd as the Trustee under the Trustee Stock Scheme. Further details of the Trustee Stock Scheme are contained in clause 11.4 below. There are also 2,000,000 unlisted executive options to acquire ordinary shares on issue, the details of which are outlined in clause 11.12 below.

Strata has 1,670 shareholders.

Substantial shareholders in Strata are Doravale Enterprises Pty Ltd (in its capacity as Trustee under the Trustee Stock Scheme) and the Albers Group comprising interests associated with E G & P J Albers. Details of the top 20 shareholders of Strata are set out in clause 10.10 below.

10.4 Trustee Stock Scheme

The Trustee Stock Scheme was implemented by formal scheme of arrangement under the Corporations Act with the approval of members of Strata, ASIC and the Court.

Pursuant to the Trustee Stock Scheme, 20,000,000 Strata Shares have been issued to Doravale Enterprises Pty Ltd as Trustee under the Trustee Stock Scheme and the associated deed of covenant. These Strata Shares are the Trustee Shares. Under the Trustee Stock Scheme, the Trustee Shares were issued to Doravale Enterprises Pty Ltd as the Trustee upon trust for sale on the basis that, after the sale of each Trustee Share, the Trustee will pay the net proceeds of sale to the Company as the subscription monies payable by the Trustee in accordance with the terms of the issue of the Trustee Shares. A Deed of Covenant which forms part of the Trustee Stock Scheme sets out the entire terms on which the Trustee Shares are held by the Trustee.

The Deed of Covenant provides that such Trustee Shares will be held by the Trustee on trust for sale on the terms set out in the Trustee Stock Scheme. Those terms are, substantially, as follows:

- each Trustee Share shall rank pari passu with all Shares issued at the time at which the Trustee Share is issued and allotted;
- the Trustee shall be liable to pay to Strata by way of subscription monies for each Trustee Share the net proceeds of sale in respect of each Trustee Share in accordance with the Deed of Covenant ("the subscription monies");
- no person other than the Trustee shall be liable to pay any monies for the issue and allotment of the Trustee Shares, and the liability of the Trustee to make payment of the subscription monies shall be a personal obligation of the Trustee resting solely in contract;
- Strata shall have no right to make calls in respect of the subscription monies;
- the liability of the Trustee shall not attach to the Trustee Shares and any transferee of the Trustee Shares from the Trustee shall have no liability to ensure that the Trustee shall pay the subscription monies. As between Strata and any transferee of a Trustee Share from the Trustee, the Trustee Share shall for all purposes be credited as fully paid;
- the subscription monies shall not bear interest against the Trustee;

- Strata shall not be entitled to exercise any right of lien on or in respect of any Trustee Share by virtue of the amount of the unpaid subscription monies; and
- Strata shall have no beneficial interest in any Trustee Share.

Under clause 5 of the Deed of Covenant it is acknowledged that, in as much as the Trustee has power to consent or agree to any amalgamation or merger with any corporation or to accept any takeover bid or offer pursuant to a takeover scheme in accordance with the Corporations Act, the Trustee shall hold any stock, shares, notes, debentures or other securities which it may acquire as a consequence of any such merger or takeover on the trusts on which it holds the Trustee Shares and further provides to the effect that a reference therein to the Trustee Shares includes any such substitute stocks, shares, notes, debentures or other securities.

10.5 Summary of Trustee's powers of sale

Under the Trustee Stock Scheme, the Trustee is empowered to sell the Trustee Shares and any future Trustee Shares which may be issued and allotted or granted to it as set out below.

During such time as Trustee Shares are listed for quotation on any Stock Market and are not suspended from trading on that Stock Market, the Trustee may sell any such Trustee Shares on the same terms and conditions as Strata could place such Trustee Shares if the sale of the Trustee Shares were a placement of new securities by Strata in accordance with the provisions of the Corporations Act and the Listing Rules. In doing so, in addition to the power to sell the Trustee Shares conferred by the Deed of Covenant, the Trustee shall have power to sell Trustee Shares:

- (a) at a discount of up to 20 percent from either the last sale price of securities of the same class of Trustee Shares as the Trustee desires to sell traded on that Stock Market or at a discount of up to 20 percent from the average market price for securities in that class determined as at the date on which the Trustee shall have given instructions to any Market Participant to sell or offer for sale those Trustee Shares. The average market price of the securities in the class shall be determined by calculating the weighted average price of such securities by aggregating the value of all sales thereof recorded on the NSX (or other stock market) in the five business days immediately prior to the date on which the Trustee shall have given such instruction to such Market Participant and by dividing such aggregate value by the total number of the securities of that class sold; or
- (b) at a discount of greater than the 20 percent determined in accordance with paragraph (a) above where:
 - (i) the Trustee has appointed a Market Participant to act on its behalf to sell any Trustee Shares or to advise the Trustee in relation to the sale of any Trustee Shares; and
 - (ii) the Trustee has agreed a proposed selling price for the Trustee Shares either with the Market Participant or with any prospective purchaser on recommendation of any such Market Participant; and
 - (iii) the Board of Directors of Strata has first approved the price at which it is proposed to sell such Trustee Shares with such approval being given by resolution at a duly convened meeting of the Directors of Strata or by circular resolution of the Directors of Strata; or
- (c) with the prior approval:
 - (i) of an ordinary resolution of the members of Strata in general meeting; or
 - (ii) in writing of members of Strata (other than the Trustee) holding in excess of 50 percent of the issued capital of Strata (after excluding any Shares or Trustee Shares held by the Trustee),at such price and on such terms and conditions as may be approved thereby; or
- (d) during such time as Trustee Shares are listed for quotation on a Stock Market and are not suspended from trading on that Stock Market:
 - (i) by private treaty at any time;
 - (ii) on or through the facilities of that Stock Market in any manner permitted by the Market Rules of that Stock Market in the ordinary course of business or by way of any crossing as defined in those Market Rules or in any other manner permitted pursuant thereto; or
- (e) by entering into agreements with Market Participants pursuant to which the Trustee may appoint any Market Participant to sell or offer for sale any Trustee Shares on such terms as may be agreed with such Market Participant provided that where the discount used in fixing the price at which the Trustee Shares

would be sold is greater than a 20 percent discount from the last sale price of such securities of such class or is greater than a 20 percent discount from the average market price for the securities of that class as determined in accordance with paragraph (a) above, the Trustee shall have obtained the approval of the Board of Directors of Strata as required above.

10.6 Restrictions on Trustee's power to deal with Trustee Shares

Under the Trustee Stock Scheme, the Trustee has absolute power to deal with the Trustee Shares subject only to the restrictions on the Trustee's power set out in the Deed of Covenant. The provisions of the Deed of Covenant set out the Trustee's powers of sale but also provide for restrictions on the exercise of those powers. Under the Trustee Stock Scheme and in accordance with the provisions of the Deed of Covenant, the Trustee shall not knowingly dispose of any Trustee Share:

- (a) to the Trustee in its own right or to any director of the Trustee or to any associate of any such person within the meaning of the Corporations Act;
- (b) to any related party of Strata (within the meaning of the Corporations Act) or to any associate of any such related party or in circumstances where, if the sale by the Trustee was an issue of equity securities by Strata within the meaning of the Listing Rules, the approval of the members of Strata would be required under the Listing Rules in relation to an issue of equity securities to such person, such approval is not obtained. Such approval shall be obtained on the basis that the provisions of the Listing Rules apply to the convening and holding of any necessary meeting;
- (c) in any manner which would constitute a breach of the Corporations Act; or
- (d) during the period commencing from the declaration of any dividend or entitlement and ending on the record date relating to the members' entitlements thereto.

10.7 Profitability of Strata

Importantly and materially for Strata, its net after tax profit for the year ended 30 June 2008 was \$16,201,635 (\$611,443 in 2007) arising primarily from the OMV/ENI and Shell transactions. However, it should be understood that the profit reported in the 30 June 2008 financial year was derived from a series of specific transactions and does not comprise maintainable earnings and that, in the likely absence of further like transactions in the current financial year, Strata will likely make a net loss from operations. Strata profitability since 30 June 2008 has been limited to the receipt of interest income from cash at bank and on deposit.

10.8 Strata Dividend History

While profitable for the year ended 30 June 2008, Strata has not paid any dividends and does not expect to pay dividends in the foreseeable future. It is intended that Strata's cash resources will be retained to meet exploration expenses or otherwise invested in strategic assets.

10.9 Financial Position of Strata

Set out below are summary balance sheets for Strata showing the financial position of Strata as at 30 June 2008, based on its audited accounts for the financial year, together with an unaudited pro forma balance sheet based on the 30 September 2008 unaudited financial position adjusted by taking into account increases in asset values reflected in the independent expert's report by DMR. The unaudited pro forma balance sheet for Strata set out below has been adjusted by accounting for the value of its exploration assets of \$20,959,009 (US\$ 13,413,766), based on the specialist valuation by RPS Energy Pty Ltd referred to in the Independent Expert's Report by DMR contained in Section Two and applying a currency conversion of A\$1.00 = 64. The exchange rate of A\$1.00 = US\$0.64 has been used because that is the exchange rate used by DMR.

STRATA AUDITED BALANCE SHEET AS AT 30 JUNE 2008 AND UNAUDITED PRO FORMA BALANCE SHEET BASED ON THE 30 SEPTEMBER 2008 FINANCIAL POSITION ADJUSTED BY TAKING INTO ACCOUNT INCREASES IN ASSET VALUES REFLECTED IN THE INDEPENDENT EXPERT'S REPORT BY DMR

	Audited Balance Sheet 30 June 2008	Unaudited Pro forma Balance Sheet
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	22,507,658	21,761,538
Trade and other receivables	280,116	40,618
Forward currency contract	55,388	-
TOTAL CURRENT ASSETS	22,843,162	21,802,156
NON-CURRENT ASSETS		
Other financial assets	458,983	625,529
Exploration and evaluation assets	2,312,106	20,959,009
TOTAL NON-CURRENT ASSETS	2,771,089	21,584,538
TOTAL ASSETS	25,614,251	43,386,694
CURRENT LIABILITIES		
Trade and other payables	668,462	43,454
Current tax liabilities	4,931,346	4,931,346
TOTAL CURRENT LIABILITIES	5,599,808	4,974,800
NON-CURRENT LIABILITIES		
Provision for share based payments	242,925	242,925
Goekinetics payable – seismic acquisition	-	4,533,517
Deferred tax liabilities	1,641,384	5,823,324
TOTAL NON-CURRENT LIABILITIES	1,884,309	10,599,766
TOTAL LIABILITIES	7,484,117	15,574,566
NET ASSETS	18,130,134	27,812,128
EQUITY		
Contributed equity	12,906,941	12,906,941
Reserves	54,152	(71,063)
Retained earnings	5,169,041	14,976,250
TOTAL EQUITY	18,130,134	27,812,128

The unaudited pro forma balance sheet for Strata has been prepared solely for the purposes of enabling Members to evaluate the merits of the Strata Scheme and the assets and liabilities of the relevant parties.

The underlying values reported on have not been formally adopted or booked as the value of those assets by the entities concerned but are presented here for comparative purposes only.

Details of the financial position of Strata as at 30 September 2008 are contained in Appendix B-3 to the Independent Expert's Report by DMR as contained herein.

10.10 Top 20 Shareholders in Strata

The top 20 shareholders in Strata are set out in the following table.

Doravale Enterprises Pty Ltd	20,000,000
Ernest Geoffrey Albers & Pamela Joy Albers	9,000,000
Sacrosanct Pty Ltd	5,175,000
Ernest Geoffrey Albers	4,457,775
Great Australia Corporation Pty Limited	3,000,000
Fugro Multi Client Services Pty Ltd	1,610,413
Australis Finance Pty Ltd	1,325,000
Albers Custodian Company Pty Ltd	1,250,000
Pamela Joy Albers	1,000,000
Sequest Petroleum Pty Ltd	1,000,000
Australian Natural Gas Pty Ltd	1,000,000
Wilstermere Corporation Pty Ltd	1,000,000
Great Missenden Group Pty Ltd	500,000
The Albers Companies Incorporated Pty	500,000
Great Missenden Holdings Pty Ltd	500,000
Cue Petroleum Pty Ltd	500,000
Elaine Margaret Larsson	500,000
Upstream Consulting Pty Ltd	500,000
David Bruce Hill	200,264
Charles Wantrup	200,000
TOTAL	53,218,452

Doravale Enterprises Pty Ltd holds its 20,000,000 shares as Trustee on the terms of the Trustee Stock Scheme referred to in clauses 11.4 to 11.6. All of the other top 20 shareholders are members of the Albers Group except Fugro Multi Client Services Pty Ltd, Elaine Margaret Larsson, Upstream Consulting Pty Ltd ("Upstream"), David Bruce Hill and Charles Wantrup. Messrs Hill and Wantrup are Directors and Upstream is an entity controlled by James Willis, a consultant to Strata, and he has a relevant interest in the 500,000 Strata Shares held by it.

10.11 Recent Dealings in Strata Shares

The Strata Shares are not listed on any Stock Exchange.

Within the knowledge of the Directors, no Strata Shares were sold in the capital of the Company in the 6 months immediately before the date on which the Scheme Booklet was lodged for registration with ASIC.

There have been various transfers of shares within that period reflecting transfers between trustees and to beneficiaries but these have reflected equitable entitlements and not sales.

10.12 Executive Options and Phantom Shares

As set out in the Strata annual report for the year ended 30 June 2008, under the terms of the Consultancy Services Agreement with Upstream, which took effect from the 31 October 2007, the following phantom shares were granted to Upstream whereby the net difference in the value of Strata shares at the relevant exercise date, compared to the related initial price/assessed value, shall be paid to Upstream in cash.

Tranche	Initial Price/ Assessed Value	Exercise Date
1. 500,000	0.30	30 June 2009
2. 500,000	0.40	30 June 2010
3. 500,000	0.49	30 June 2011
4. 500,000	0.49	30 June 2012
5. 500,000	0.49	30 June 2013

In calculating the exchange ratio for the Scheme Consideration, the presumptive liabilities to Upstream under these instruments was taken into account.

In the same way, Strata has granted executive options under the terms of that Consultancy Services Agreement with Upstream with the following options remaining extant.

Tranche	Exercise Price	Exercisable on or before
1. 500,000	\$0.40	30 June 2009
2. 500,000	\$0.50	30 June 2010
3. 500,000	\$0.60	30 June 2011
4. 500,000	\$0.70	30 June 2012

Therefore, to the extent that these options have exercise prices below the net asset backing per Share based on the unaudited management accounts of Strata as the date hereof, they were assumed to be exercised for the purpose of determining the exchange ratio for the Scheme Consideration under the Strata Scheme.

Inasmuch as Octanex also has similar tranches of phantom shares and executive options, those phantom shares and executive options were treated in a like manner in determining the exchange ratio for the Scheme Consideration under the Strata Scheme.

11. BACKGROUND: OCTANEX

11.1 Present Share Capital and Structure of Octanex

Octanex Members have recently received Octanex's Annual Report for the year ended 30 June 2008. This Explanatory Memorandum provides updated information additional to that contained in that Annual Report for consideration by Octanex Members.

The present issued capital of Octanex comprises 50,556,837 fully paid ordinary shares together with 28,914,710 options to acquire ordinary shares (exercisable at 25 cents up to 30 June 2009) and a further 3,000,000 executive options exercisable as set out below.

Tranche	Exercise Price	Exercisable on or before
1. 750,000	\$0.40	30 June 2009
2. 750,000	\$0.50	30 June 2010
3. 750,000	\$0.60	30 June 2011
4. 750,000	\$0.70	30 June 2012

Octanex has 1,255 shareholders.

Substantial shareholders in Octanex are E G and P J Albers. Details of the top 20 shareholders of Octanex are set out in clause 11.9 below.

11.2 Business and Operations

The business activities and operations of Octanex are a mirror image to those of Strata: save and except for the amount of cash at bank or on deposit and that Octanex has investments in marketable securities that differ from those of Strata.

As at the date of this Explanatory Memorandum, Octanex holds investments in marketable securities as set out below.

Cue Energy Resources Ltd

The Octanex group holds 36,380,140 ordinary shares in Cue Energy Resources Ltd (ASX Code: "CUE"), a company listed on ASX. Additional information about Cue may be obtained from Cue, from documents lodged by CUE with ASX and from the CUE website www.cuenrg.com.au

Bass Strait Oil Company Ltd

Octanex holds 2,000,000 ordinary shares in Bass Strait Oil Company Ltd (ASX Code: "BAS"), a company listed on ASX. Information about BAS may be obtained from BAS, from documents lodged by BAS with ASX, ASIC and from the BAS website www.bassoil.com.au

Orion Petroleum Limited

Octanex holds 10,772,923 ordinary shares in Orion Petroleum Limited (ASX Code: "OIP"), a company listed on ASX. Information about OIP may be obtained from OIP, from documents lodged by OIP with ASX, ASIC and from the OIP website www.orionpetroleum.com.au

Babcock & Brown Power Limited

Octanex holds 7,263,289 stapled units in Babcock & Brown Power Limited (ASX Code: “BBP”), a company listed on ASX. Information about BBP may be obtained from BBP, from documents lodged by BBP with ASX, ASIC and from the BBP website www.bbpower.com

Gas2Grid Limited

Octanex holds 6,000,000 ordinary shares in Gas2Grid Limited (ASX Code: “GGX”), a company listed on ASX. Information about GGX may be obtained from GGX, from documents lodged by GGX with ASX, ASIC and from the GGX website www.gas2grid.com

11.3 Financial Position of Octanex

Set out below are summary balance sheets for Octanex showing the financial position of Octanex as at 30 June 2008, based on its audited accounts for the financial year, together with an unaudited pro forma balance sheet based on the 30 September 2008 unaudited financial position adjusted by taking into account increases in asset values reflected in the Independent Expert’s Report by DMR. The unaudited pro forma balance sheet for Octanex set out below has been adjusted by accounting for the value of its exploration assets of \$20,959,009 (US\$ 13,413,766), based on the specialist valuation by RPS Energy Pty Ltd referred to in the Independent Expert’s Report by DMR contained in Section Two and applying a currency conversion of A\$1.00 = 64. The exchange rate of A\$1.00 = US\$0.64 has been used because that is the exchange rate used by DMR.

While the RPS Energy Pty Ltd valuation was been prepared for DMR for use in their Independent Expert’s Report for the purpose of the Strata Scheme, it has been recognised in the unaudited pro forma balance sheet that the specialist valuation is equally applicable in determining the value of the Octanex exploration assets, as they are identical to those of Strata.

The unaudited pro forma balance sheet of Octanex that follows should be read on the basis set out above.

The unaudited pro forma balance sheet for Octanex has been prepared solely for the purposes of enabling Members to evaluate the merits of the Strata Scheme, the acquisition of Exmouth and the assets and liabilities of each of those parties. The underlying values reported on have not been formally adopted or booked as the value of those assets by the entities concerned but are presented here for comparative purposes only.

OCTANEX AUDITED BALANCE SHEET AS AT 30 JUNE 2008 AND UNAUDITED PRO FORMA BALANCE SHEET BASED ON 30 SEPTEMBER 2008 FINANCIAL POSITION OF OCTANEX ADJUSTED BY TAKING INTO ACCOUNT INCREASES IN ASSET VALUES REFLECTED IN THE INDEPENDENT EXPERT'S REPORT BY DMR

	Audited Balance Sheet 30 June 2008	Unaudited Pro Forma Balance Sheet
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	23,004,274	20,542,190
Trade and other receivables	305,060	50,585
Forward exchange contract	55,388	-
TOTAL CURRENT ASSETS	23,364,722	20,592,775
NON-CURRENT ASSETS		
Other financial assets	13,101,351	5,356,309
Exploration and evaluation assets	2,322,667	20,959,009
TOTAL NON-CURRENT ASSETS	15,424,018	26,315,318
TOTAL ASSETS	38,788,740	46,908,093
CURRENT LIABILITIES		
Trade and other payables	759,694	104,800
Current tax liabilities	6,162,024	6,162,024
TOTAL CURRENT LIABILITIES	6,921,718	6,266,824
NON-CURRENT LIABILITIES		
Provision for share based payments	221,295	221,295
Geokinetics payable – seismic acquisition	-	4,533,517
Deferred tax liabilities	3,846,052	5,165,737
TOTAL NON-CURRENT LIABILITIES	4,067,347	9,920,549
TOTAL LIABILITIES	10,989,065	16,187,373
NET ASSETS	27,799,675	30,720,720
EQUITY		
Contributed equity	4,219,918	4,221,718
Reserves	4,210,774	27,786
Retained Earnings	19,368,983	26,471,216
TOTAL EQUITY	27,799,675	30,720,720

Any Member who requires a copy of the latest Octanex annual report, which includes its audited financial statements for the year ended 30 June 2008, can find this document on the Octanex website www.octanex.com.au.

The quarterly report for Octanex for the quarter ended 30 September 2008 as released to NSX is also available from the NSX website www.nsx.com.au or via the Octanex website.

Details of the financial position of Octanex as at 30 September 2008 as released to NSX are contained in Appendix D-3 to the Independent Expert's Report by DMR as contained herein.

11.4 Octanex NSX Announcements

Set out below are details of the NSX announcements made by Octanex since 30 June 2008 and these can be accessed in the same way as the quarterly report.

HEADLINE	DATE
40490 NSX Merger Notice Proposed Merger of Strata Resources NL: Strata Scheme Booklet	19-Dec-2008
40120 NSX Change in Substantial Shareholder Change of Interest of Substantial Holder	5-Dec-2008
40150 NSX Section 205G Notice Change in Director's Interests Change of Directors Interest Notice	3-Dec-2008
40150 NSX Section 205G Notice Change in Director's Interests Change of Directors Interest Notice	3-Dec-2008
40516 NSX Chairman's Address Chairman's Address to Shareholders at Annual General Meeting - 13 November 2008	13-Nov-2008
40930 NSX Results of Meeting Outcome of Resolutions Put to Annual General Meeting on 13 November 2008	13-Nov-2008
40560 NSX Quarterly Report Quarterly Activity Report to 30 September 2008	23-Oct-2008
40910 NSX Notice of Annual General Meeting Notice and Proxy of AGM	14-Oct-2008
40510 NSX Annual Report Annual Report mailed to shareholders today	14-Oct-2008
40814 NSX Company Secretary Appointment/Resignation Change of Company Secretary	17-Sep-2008
40510 NSX Annual Report Annual Financial Report for the Year Ended 30 June 2008	12-Sep-2008
40410 NSX Asset Acquisition Purchase of 5% of Orion Petroleum Limited Shares	29-Jul-2008
40560 NSX Quarterly Report Quarterly Activity Report to 30 June 2008	18-Jul-2008
40335 NSX Alteration to Issued Capital New issue announcement, application for quotation of additional securities and agreement	10-Jul-2008
40150 NSX Section 205G Notice Change in Director's Interests Change of Directors Interest Notice	7-Jul-2008
40335 NSX Alteration to Issued Capital New Issue Announcement	3-Jul-2008
40460 NSX Agreement Notice Acquisition of Winchester OBC 3D Seismic Survey	1-Jul-2008

11.5 Profitability of Octanex

Importantly and materially for Octanex, the net after tax consolidated profit for the year ended 30 June 2008 was \$17,865,746 (\$658,268 in 2007) arising primarily from the OMV/ENI and Shell transactions. However, it should be understood that the profit reported in the 30 June 2008 financial year was derived from a series of specific transactions and does not comprise maintainable earnings and that, in the absence of further transactions in the current financial year, Octanex will likely make a net loss from operations. Octanex profitability since 30 June 2008 has been limited and is dependent on receipt of interest income from cash at bank and on deposit. The value of the Octanex investments included in the 'other financial assets' has fallen significantly since 30 June 2008. This is reflected in the unaudited pro forma balance sheet for Octanex.

11.6 Dividend History

While profitable for the year ended 30 June 2008, Octanex has not paid any dividends and does not expect to pay dividends in the foreseeable future. It is intended that Octanex's cash resources will be retained to meet exploration expenses or otherwise invested in strategic assets or corporate acquisitions.

11.7 ProForma Financial Statements and effect of the Strata Scheme on Octanex

Set out below are pro forma balance sheets for each of Strata, Octanex and Exmouth showing the financial impact on Octanex if the Strata Scheme comes into effect. These unaudited balance sheets for Strata and Octanex are as set out in clauses 3.8 and 6.3 respectively. That for Exmouth is based on the assumption that Exmouth has acquired the Exmouth Tenements on the bases set out in clause 7 below. In brief this reflects a consideration for the acquisition of the issue of 30,526,968 new shares in Octanex to Gascorp being equivalent to the net asset value of Exmouth of A\$15,306,222. The gross value of those assets is A\$21,866,031 (US\$14,733,332 based on the exchange rate of US\$1 = US\$0.6738 which was applicable as at 7 November 2008, the date on which the transaction was approved by the directors of Gascorp). This figure of \$21,866,031 differs from that used by DMR in its Independent Expert's Report because DMR use an exchange rate of A\$1.00 = US\$0.64 to determine the value of the Exmouth Tenements in Australian dollars: resulting in DMR valuing the Exmouth Tenements at \$23,020,831

OCTANEX PRO FORMA BALANCE SHEET BASED ON UNAUDITED 30 SEPTEMBER 2008 FINANCIAL POSITION ADJUSTED BY TAKING INTO ACCOUNT INCREASES IN ASSET VALUES REFLECTED IN THE INDEPENDENT EXPERT'S REPORT BY DMR AND ASSUMING THE ACQUISITION OF STRATA AND EXMOUTH

	Octanex Unaudited Pro Forma Balance Sheet \$	Strata Unaudited Pro Forma Balance Sheet \$	Exmouth Unaudited Pro Forma Balance Sheet \$	Octanex Unaudited Post-Merger Pro Forma Balance Sheet \$
CURRENT ASSETS				
Cash and cash equivalents	20,542,190	21,761,538	0	42,303,728
Trade and other receivables	50,585	40,618	0	91,203
TOTAL CURRENT ASSETS	20,592,775	21,802,156	0	42,394,931
NON-CURRENT ASSETS				
Other financial assets	5,356,309	625,529	0	5,981,838
Exploration and evaluation assets	20,959,009	20,959,009	21,866,031	63,784,049
TOTAL NON-CURRENT ASSETS	26,315,318	21,584,538	21,866,031	69,765,887
TOTAL ASSETS	46,908,093	43,386,694	21,866,031	112,160,818
CURRENT LIABILITIES				
Trade and other payables	104,800	43,454	0	148,254
Current tax liabilities	6,162,024	4,931,346	0	11,093,370
TOTAL CURRENT LIABILITIES	6,266,824	4,974,800	0	11,241,624
NON-CURRENT LIABILITIES				
Provision for share based payments	221,295	242,925	0	464,220
Geokinetics payable seismic acquisition	4,533,517	4,533,517	0	9,067,034
Deferred tax liabilities	5,165,737	5,823,324	6,559,809	17,548,870
TOTAL NON-CURRENT LIABILITIES	9,920,549	10,599,766	6,559,809	27,080,124
TOTAL LIABILITIES	16,187,373	15,574,566	6,559,809	38,321,748
NET ASSETS	30,720,720	27,812,128	15,306,222	73,839,070
EQUITY				
Contributed equity	4,221,718	12,906,941	15,306,222	32,434,881
Reserves	27,786	(71,063)	0	(43,277)
Retained Earnings	26,471,216	14,976,250	0	41,447,466
TOTAL EQUITY	30,720,720	27,812,128	15,306,222	73,839,070

11.8 Historical share price performance

Octanex shares are listed for quotation on NSX.

Members should note that past share price performance is not necessarily a guide to future price movements. While options to acquire shares in Octanex are also listed on NSX under the NSX Code OCTOF, no price details are provided in this Scheme Booklet in relation to the options: given that the Scheme Consideration comprises only Octanex Shares.

In the three months immediately before the date of this Explanatory Memorandum, the number of shares in the capital of Octanex sold was 280,800 and insofar as is known to Octanex:

- the highest recorded sale price for Octanex shares during that three month period was \$0.22 on 3 December 2008.
- the lowest recorded sale price for Octanex shares during that three month period was \$0.15 on 21 November 2008.

11.9 Ranking of Octanex Shares issued as Scheme Consideration and for acquisition of Exmouth

The Octanex Shares to be issued to acquire each of Strata and Exmouth will rank equally for all purposes with all other Octanex ordinary shares on issue as and from the date of allotment.

11.10 Top 20 Shareholders in Octanex

The top 20 shareholders in Octanex are as follows:

Ernest Geoffrey Albers & Pamela Joy Albers	5,980,899
Great Missenden Holdings Pty Ltd	5,450,305
Bass Strait Group Pty Ltd	4,033,058
The Albers Companies Incorporated Pty Ltd	2,955,491
Auralandia NL	2,509,340
Cue Petroleum Pty Ltd	2,386,664
Sacrosanct Pty Ltd	2,312,210
Great Missenden Group Pty Ltd	1,940,060
Cue Energy Resources Limited	1,567,100
Pamela Joy Albers	1,412,500
Ernest Geoffrey Albers	1,069,113
Fugro Multi Client Services Pty Ltd	1,034,540
Australis Finance Pty Ltd	860,000
David Hugo Rankin	782,463
Upstream Consulting Pty Ltd	750,000
Clifford Massey Abbott	724,040
Strata Resources NL	705,000
Charles Whyte	703,113
Sequest Petroleum Pty Ltd	598,000
Appledore Custodians Limited	500,000

11.11 Octanex Shareholder Analysis

As at 30 September 2008 an analysis of shareholdings in Octanex was as follows:

Holding Range	No. Holders	Total Units	% equity
1-1,000	321	133,187	0.26
1,001-5,000	639	1,583,420	3.13
5,001-10,000	74	549,196	1.09
10,001-100,000	173	5,595,903	11.07
100,001 and over	48	42,695,131	84.45
Totals	1,255	50,556,837	100.00

11.12 Executive Options and Phantom Shares

As set out in the annual report for Octanex for the year ended 30 June 2008, under the terms of the Consultancy Services Agreement with Upstream which came into effect from the 31 October 2007, the following phantom shares were granted whereby the net difference in the value of Octanex shares at exercise date and initial price shall be paid to Upstream in cash.

Tranche	Initial Price/ assessed value	Exercise Date
1. 750,000	0.30	30 June 2009
2. 750,000	0.40	30 June 2010
3. 750,000	0.40	30 June 2011
4. 750,000	0.40	30 June 2012
5. 750,000	0.40	30 June 2013

In calculating the exchange ratio for the Strata Scheme Consideration, the presumptive liabilities under these instruments was taken into account.

Likewise, Octanex has granted executive options under the terms of that Consultancy Services Agreement with Upstream with the following options remaining extant.

Tranche	Exercise Price	Exercisable on or before
1. 750,000	\$0.40	30 June 2009
2. 750,000	\$0.50	30 June 2010
3. 750,000	\$0.60	30 June 2011
4. 750,000	\$0.70	30 June 2012

To the extent that these options have exercise prices below the net asset backing per Share based on the unaudited management accounts of Octanex as at 30 September 2008, they have been assumed to be exercised for the purpose of determining the exchange ratio for the Scheme Consideration.

Inasmuch as Strata also has similar tranches of phantom shares and executive options those phantom shares and executive options have been treated in a like manner in determining the exchange ratio for the Strata Scheme Consideration.

11.13 Application for Quotation of Octanex Shares

Octanex shares are listed on NSX. Octanex has made application to NSX for the quotation of the Octanex Shares to be allotted as Scheme Consideration pursuant to the Strata Scheme. While quotation is not guaranteed or automatic, Octanex is not aware of any reason why NSX would refuse to grant quotation to the Octanex Shares to be issued to Strata Scheme Members as the Scheme Consideration.

12. BACKGROUND: GASCORP AND EXMOUTH

12.1 Background

Gascorp and its wholly owned subsidiary, Exmouth, form a consolidated group under the Tax Act and carry on the business of exploration for oil and gas.

Gascorp's interests in the Exmouth Tenements (WA-362-P, WA-363-P, WA-386-P and WA-387-P) are in the process of being assigned to Exmouth and, on this being effected, it is proposed that all of the shares in Exmouth will be exchanged for fully paid shares in Octanex (and no other consideration), so that Exmouth will become a wholly owned subsidiary of Octanex.

The consideration for the exchange of the shares in Exmouth for shares in Octanex will be the issue of 30,526,968 new shares in Octanex, being equivalent to the net asset value of Exmouth of A\$15,306,222. The gross value of those assets is A\$21,866,031 (US\$14,733,332 as set out in the table below: and based on the exchange rate of US\$1= A\$0.6738 which was applicable as at 7 November 2008, the date on which the transaction was approved by the directors of Gascorp), reducing to the net A\$15,306,222 after taking into account the deferred tax effect on the value of the exploration assets at a tax rate of 30%.

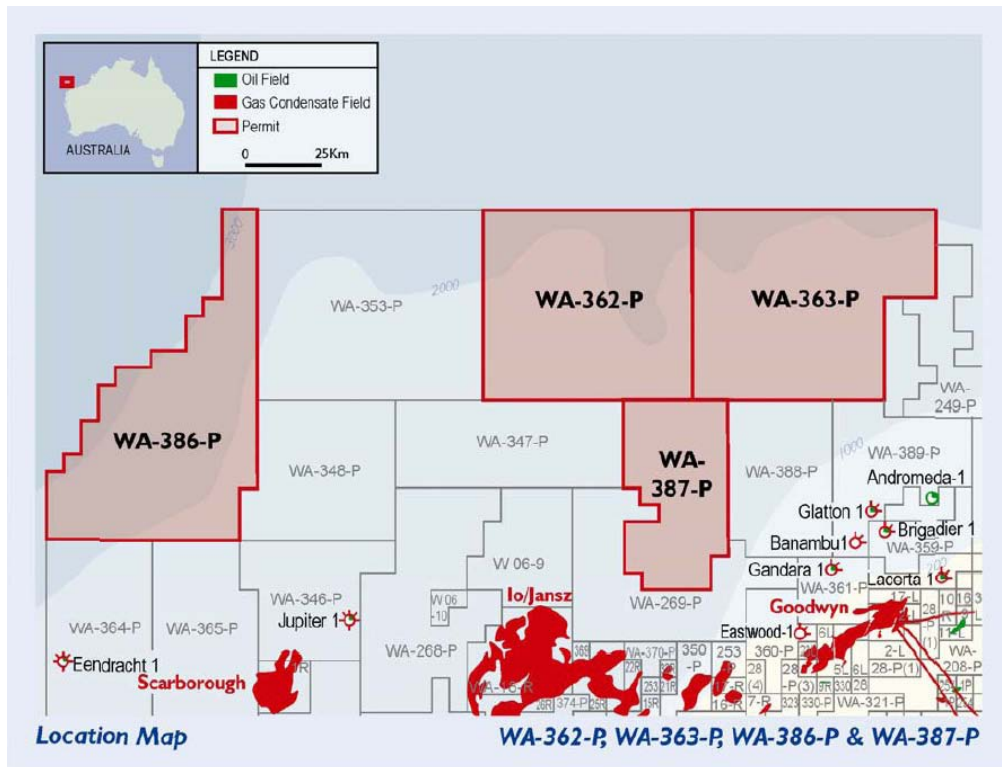
The 30,526,968 in Octanex to be issued to Gascorp in exchange for the shares in Exmouth is calculated by taking the net asset backing of a shares in Octanex on a fully diluted basis as at 30 September 2008 (\$0.5014) and dividing the A\$15,306,222 referred to by that amount. Specific values in US\$ attributable to each of the permit interests being acquired by Exmouth from Gascorp are set out in the table below. That table is extracted from a valuation carried out by RPS Energy Pty Ltd which forms part of the report by DMR as the Independent Expert as contained in Section Two.

Importantly, all four of the Exmouth Tenements were subject to identical transactions with OMV and ENI under which OMV and ENI acquired a combined 60% interest in each of the permits for an amount of US\$8.5million (an aggregate amount of US\$34 million).

PERMIT	BASIN	EXMOUTH EXPLORATION PTY LTD	VALUE OF EXMOUTH EQUITY SHARE (US\$)	VALUATION METHOD
WA-362-P	Exmouth Plateau	12%	1,700,000	Previous transaction over permit
WA-363-P	Exmouth Plateau	12%	1,700,000	Previous transaction over permit
WA-386-P	Exmouth Plateau	40%	5,666,666	Previous transaction over permit
WA-387-P	Exmouth Plateau	40%	5,666,666	Previous transaction over permit
TOTAL VALUE			14,733,332	

12.2 Operations

The location of the Exmouth Tenements is shown in the following figure.



Joint Venture WA-386-P and WA-387-P

Following transactions with OMV and ENI and assignment of Gascorp's interest in each of WA-386-P and WA-387-P to Exmouth, the interests of OMV, ENI and Exmouth in these permits will be:

OMV (Operator)	30%
ENI	30%
Exmouth	40%

Gascorp previously disposed of 60% of its 100% interest in these two exploration permits by entering into a joint venture with OMV and ENI. As part of the arrangements establishing a new joint venture, Gascorp agreed to assign a 60% interest in each permit for an amount of US\$8.5 million while retaining a 40% equity interest in each permit, which 40% equity is now being assigned to Exmouth, its wholly owned subsidiary.

OMV and ENI's consent to the assignment to Exmouth has been sought and assignment to Exmouth will be conditional upon that consent and upon the consent of the Designated Authority. Octanex and Gascorp expect that those consents will be received in the ordinary course of business and, in any event, before the Effective Date of the Strata Scheme so that the acquisition of Exmouth by Octanex can proceed.

OMV and ENI have agreed to acquire and process 2D seismic data in each permit. This will meet all the current and future seismic work obligations for each permit. OMV and ENI also have the right under the farmin agreement to earn a further 20% interest from Exmouth in each permit (leaving Exmouth with a then retained 20% interest in each permit) by meeting all the costs of Exmouth for the first two wells that OMV and ENI may elect to drill in each permit.

Finally, if Exmouth, as Gascorp's assignee, does not wish to participate (by being carried) in a well which OMV and ENI may elect to drill at their discretion on a permit, it has a right, within 60 days of receiving a formal notice from OMV and ENI as farminors, to elect to assign its remaining 40% interest in that permit to OMV and ENI for US\$16,000,000. That right exists in relation to each permit. On completion of the merger and acquisition of Exmouth this right will be under the control of Octanex. This would give Octanex a further potential receivable of a further US\$32,000,000 (a total of A\$50,000,000 at an exchange rate of A\$1.00 = US\$0.64) This is in addition to an equivalent amount in relation to WA-362-P and WA-363-P referred to below and in clause 3.1 above. OMV and ENI have indicated their intention to comprehensively explore the four Exmouth Tenements in question and already more than 8,000 kms of new 2D seismic data has been acquired.

WA-362-P and WA-363-P (Exmouth Plateau)

This joint venture consists of:

OMV Australia Limited	30% and Operator
ENI Australia Limited	30%
Octanex NL	14%
Strata Resources NL	14%
Exmouth Exploration Pty Ltd	12%

In August 2007 Exmouth and its joint venturers entered into a new joint venture with OMV Australia Limited (“OMV”) and ENI Australia Limited (“ENI”) in relation to WA-362-P and WA-363-P and Exmouth now holds a 12% interest in each of these permits.

The permits, which cover an aggregate area of approximately 21,765 sq kms, are on the northern margin of the Exmouth Plateau, 300-400 kms north west of the Western Australian coastline. The Exmouth Plateau is the largely unexplored deepwater frontier of the Carnarvon Basin, Australia’s largest petroleum basin which includes the giant gas resources of the North West Shelf (Rankin Trend), the Greater Gorgon region and Io/Janz. The map below shows the location of the two permits.

As part of the arrangements establishing the new joint venture, Exmouth agreed to assign an 18% interest in each permit for a monetary amount, retaining a 12% equity interest in each permit. OMV and ENI agreed to acquire and process 2D seismic data in each permit. This will meet all the current and future seismic work obligations for each permit. OMV and ENI also have the right under the farm-in agreement to earn a further 6% interest in each permit from Exmouth (leaving Strata with a then retained 6% interest in each permit) by meeting all the costs of the first two wells that the farminees may elect to drill in each permit.

The joint venture Operator, OMV, has now completed the acquisition of the 7,407 line kms Klimpt 2D seismic survey of which 4,659 was acquired within WA-362-P and WA-363-P.

The rights of Exmouth, Strata and Octanex to sell their respective residual interests in each of these permits to OMV and ENI is detailed in clause 3.1 dealing with Strata’s interests to which Members are referred.

13. OCTANEX DIRECTORS' PRESENT HOLDINGS OF MARKETABLE SECURITIES OF STRATA

The names of the Octanex directors and the number and description of marketable securities of Strata in which they presently have a relevant interest are set out below:

Name of Director	Shareholding
EG Albers*	29,207,775
PJ Albers*	25,750,000
GA Menzies	0

* Includes shares in which each of EG and PJ Albers have a deemed relevant interest.

14. OCTANEX DIRECTORS' PRESENT HOLDINGS OF MARKETABLE SECURITIES OF OCTANEX

The names of the Octanex Directors and the number and description of marketable securities of Octanex in which they presently have a relevant interest are set out below:

Name of Director	Shareholding	Optionholding
EG Albers*	31,082,380	20,427,490
PJ Albers*	30,953,527	19,632,490
GA Menzies	0	50,000

* Includes shares and options in which each of EG and PJ Albers have a deemed relevant interest.

15. DIRECTORS' HOLDINGS OF MARKETABLE SECURITIES OF OCTANEX SUBSEQUENT TO ACQUISITION OF STRATA AND EXMOUTH

The names of the Octanex Directors and the number and description of marketable securities of Octanex in which they have a relevant interest, or will have a relevant interest after implementation of the Strata Scheme and the acquisition of Exmouth are set out below:

Name of Director	Shareholding in Octanex			Optionholding in Octanex	
	Present	After Scheme	After acquisition of Exmouth	Present	After Scheme
EG Albers	31,082,380	79,275,209	109,802,177	20,427,490	20,427,490
P J Albers	30,953,527	73,441,027	103,967,995	19,632,490	19,632,490
GA Menzies	Nil	Nil	Nil	Nil	Nil

16. TRANSACTIONS WITH RELATED PARTIES

Within the knowledge of the Directors, save as set out herein or as previously disclosed in the published financial statements of Strata from time to time, Strata has not entered into any related party transactions which have not previously been disclosed to Strata Scheme Members.

17. RECENT DEALINGS IN SHARES AND MARKETABLE SECURITIES OF OCTANEX

In the three months immediately before the date on which this Scheme Booklet was lodged for registration with ASIC, as the Explanatory Memorandum required under the Corporations Act, the number of shares in the capital of Octanex sold was 280,800 and insofar as is known to Octanex:

- the highest recorded sale price for Octanex shares during that three month period was \$0.22 on 3 December 2008.
- the lowest recorded sale price for Octanex shares during that three month period was \$0.15 on 21 November 2008.

Options to acquire ordinary shares in Octanex are listed for quotation on NSX. In the 3 months immediately before the date on which this Scheme Booklet was lodged for registration by ASIC the number of options to acquire ordinary shares in the capital of Octanex sold was 100,000 and insofar as known to Octanex:

- the highest recorded sale price for options to acquire ordinary shares the capital of Octanex during the three months immediately preceding the date of which this Scheme Booklet was lodged for registration with ASIC was \$0.02 on 30 September 2008
- the lowest recorded sale price for options to acquire ordinary shares the capital of Octanex during that three month period was \$0.02 on 30 September.

18. EFFECT OF SCHEME ON MARKET PRICE OF SHARES IN OCTANEX

It is not possible to state what effect of the proposed acquisitions will have on the market price of Octanex Shares.

19. EFFECT ON OCTANEX CREDITORS

Implementation of the acquisitions will have no effect on creditors of Octanex.

20. EFFECT ON DIRECTORS AND PAST DIRECTORS OF OCTANEX

Save as set out herein, the implementation of the acquisitions will have no effect on the interests of any Director of Octanex, or any past Director or associate of any such person within the meaning of the Corporations Act, different from the effect on any other person with like interests.

21. CONTINUATION OF PRESENT BUSINESS

It is recorded that Octanex and its directors:

- 21.1 Intend that Strata Exmouth and Octanex will continue to carry on their current business activities by retaining control of their present assets and continuing to explore those permits in joint venture with their present joint venturers.
- 21.2 Do not intend that Strata Exmouth or Octanex will dispose of any of their fixed assets other than in the ordinary course of business.
- 21.3 Do not intend that changes will be made to the future employment of any of Octanex's present employees. Insofar as consultants to Strata and Octanex are concerned, it is likely that they will continue to consult to Strata and Octanex in relation to the matters on which they have historically been involved.

22. OTHER RELEVANT INFORMATION

There is no other information known to Octanex which is material to a decision by Members on how to vote on any of the resolutions to be put to this Octanex General Meeting having regard to information previously disclosed by Octanex to its members or which accompanies or is included in this Explanatory Memorandum.

23. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have authorised the issue of this document and accept responsibility for the information contained in this Explanatory Memorandum.

To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

SECTION TWO
INDEPENDENT EXPERTS REPORT BY DMR CORPORATE

D M R CORPORATE

DMR

D M R Corporate Pty Ltd	A.C.N. 063 564 045
470 Collins Street	
Melbourne	Telephone (03) 9629 4277
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22 December 2008

The Directors
Octanex N.L.
Level 21
500 Collins Street
Melbourne, Vic 3000

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. Introduction

You have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report for the benefit of the shareholders of Octanex N.L. ("Octanex" or the Company") in respect of the proposed acquisitions of Strata Resources N.L. ("Strata") and Exmouth Exploration Pty Ltd ("Exmouth"). The transaction, as set out in Section 2 below, is permitted by the Corporations Act 2001 ("the Act") provided that it is agreed to by shareholders, other than those involved in the proposed transaction or persons associated with such persons (i.e. the Non-Associated Shareholders).

Strata is an unlisted public company, which holds the same proportional interest as Octanex in all of the oil and gas exploration licences in which Octanex holds an interest. Apart from cash and some relatively minor investments, Strata has no other assets.

Exmouth is a recently incorporated subsidiary of Gascorp Australia Pty Ltd ("Gascorp"), a company controlled by Mr. E G Albers, the Chairman and major shareholder of Octanex. Exmouth holds an interest in four oil and gas exploration licences. Octanex (and Strata) presently hold an interest in two of these licences.

The transaction described in Section 2 below will, subject to approval by the Octanex shareholders, result in Strata and Gascorp becoming wholly owned subsidiaries of Octanex.

2. The Proposed Transaction

Shareholders are asked to approve the following:

- a) approval to issue 90,276,900 shares to the current shareholders of Strata in exchange of their shares in Strata;
and
- b) the issue of 30,526,968 shares to Gascorp to acquire all of its shares in Exmouth.

Octanex has entered into an agreement to purchase all of the issued capital of Strata from its existing shareholders, subject to shareholder approval. The consideration payable by Octanex to the Strata shareholders is to be satisfied by the issue of 90,276,900 fully paid Octanex shares. It should be noted that 33,000,000 of these shares will be issued to Doravale Enterprises Pty Ltd (“Doravale”). Doravale currently holds 20,000,000 Strata shares as Trustee of a Trustee Stock Scheme. If the Octanex shareholders approve the acquisition of Strata, Doravale will hold the 33,000,000 Octanex shares for eventual sale, with the proceeds on sale going to Octanex.

Octanex has also entered into an agreement to purchase all of the issued capital of Exmouth from Gascorp, subject to shareholder approval. The consideration payable by Octanex to Gascorp is to be satisfied by the issue of 30,526,968 fully paid Octanex shares to Gascorp.

The resolutions to approve the acquisition of Strata and Gascorp are subject to one another. This means that Octanex will either acquire both Strata and Gascorp or neither acquisition will proceed. As such we regard the acquisition of Strata and Gascorp as one transaction. In the balance of this report we refer to the acquisition of Strata and Gascorp as the Proposed Transaction (“the Proposed Transaction”).

If shareholders approve the Proposed Transaction then 57,276,900 shares will be issued to the Strata shareholders (excluding the shares issued to Doravale) and 30,526,968 shares will be issued to Gascorp. These share issues will represent a total of 87,803,868 Octanex shares, or 63.5% of Octanex’s voting power.

Mr. E G Albers, a Director of Octanex has a relevant interest in 31,082,380 Octanex shares and 20,427,490 options, representing 61.5% of Octanex’s current voting power (64.2% on a fully diluted basis).

Mr. E G Albers is also a Director and a shareholder of both Strata and Gascorp and the following table shows the impact on the voting power of Mr. E G Albers of the Proposed Transaction:

	E G Albers	Other Shareholders	Total	E G Albers Voting Power
Octanex shares on issue	31,082,380	19,474,457	50,556,837	61.5%
Share issue to acquire Strata	48,192,829	42,084,071	90,276,900	53.4%
Shares to acquire Exmouth	30,526,968	-	30,526,968	100.0%
Total	<u>109,802,177</u>	<u>61,558,528</u>	<u>171,360,705</u>	<u>64.1%</u>

Mrs P J Albers, a Director of Octanex has a relevant interest in 30,953,527 Octanex shares, representing 61.2% of Octanex’s current voting power. The following table shows the impact on the voting power of Mrs P J Albers of the Proposed Transaction:

	P J Albers	Other Shareholders	Total	P J Albers Voting Power
Octanex shares on issue	30,953,527	19,603,310	50,556,837	61.2%
Share issue to acquire Strata	42,487,500	47,789,400	90,276,900	47.1%
Shares to acquire Exmouth	30,526,968	-	30,526,968	100.0%
Total	<u>103,967,995</u>	<u>67,392,710</u>	<u>171,360,705</u>	<u>60.7%</u>

The directors of Octanex have requested DMR Corporate to independently assess whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

3. Summary Opinions

In our opinion, the Proposed Transaction set out in Section 2. above **is fair and reasonable to the Non-Associated Shareholders.**

Our principal reasons for reaching the above opinion are:

Fairness

- We assessed the value of one Octanex share before the Proposed Transaction at \$0.47 – Section 7.7
- We assessed the value of one Octanex share after the Proposed Transaction at \$0.49 – Section 10.
- As the value of one Octanex share after the Proposed Transaction is greater than the value of one Octanex share before the Proposed Transaction, we consider that **the Proposed Transaction is fair.**

Reasonableness

We have also reviewed the other significant factors referred to in Section 13 of this report and we consider that **the Proposed Transaction is reasonable.**

4. Structure of this Report

This report is divided into the following sections:

Section		Page
5	Purpose of the Report	4
6	Octanex – Key Information	6
7	Octanex – Valuation	8
8	Strata – Key Information	12
9	Strata – Valuation	14
10	Exmouth – Key Information and Valuation	17
11	Assessment as to Fairness	18
12	Control Premium	19
13	Assessment as to Reasonableness	20
14	Conclusion as to Fairness and Reasonableness	20
15	Related Party Benefits	21
16	Financial Services Guide	21
Appendix		
A-1	Octanex – 20 Largest Shareholders – 28 November 2008	24
A-2	Octanex – 20 Largest Option Holders – 28 November 2008	25
B-1	Octanex – Income Statements	26
B-2	Octanex – Cash Flow Statements	27
B-3	Octanex – Balance Sheets	28
C	Strata – 20 Largest Shareholders – 28 November 2008	29
D-1	Strata – Income Statements	30
D-2	Strata – Cash Flow Statements	31
D-3	Strata – Balance Sheets	32
E	Sources of Information	33
F	Declarations, Qualifications and Consents	34

5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- **Corporations Act 2001**

Section 606 of the Act contains a general prohibition on the acquisition of shares in a company if, as a result of the acquisition, any person increases his or her voting power in the company from a starting point that is above 20% and below 90%.

Section 611 of the Act contains an exception to the Section 606 prohibition. For an acquisition of shares to fall within the exception, the acquisition must be approved in advance by a resolution passed at a general meeting of the company in which shares will be acquired.

Octanex is not seeking shareholder approval for the Proposed Transaction under Section 611 of the Act, as Mr. E G Albers will only increase his interests in Octanex from 61.5% to 64.1% if the Proposed Transaction proceeds, and this level of increase does not require shareholder approval pursuant to Section 611. Similarly, the voting power of Mrs P J Albers will in fact reduce from 61.2% to 60.7% if the Proposed Transaction proceeds. Nevertheless the Directors of Octanex have requested that we prepare this report as if Section 611 was applicable to this transaction.

- **ASIC Regulatory Guides**

This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

RG 111 – Content of Expert Reports (“RG111”)

RG 111.21 An issue of shares by a company otherwise prohibited under S606 may be approved under item 7 of S611 and the effect on the company’s shareholding is comparable to a takeover bid. Examples of such issues approved under item 7 of S611 that are comparable to takeover bids under Ch 6 include:

- (a) a company issues securities to the vendor of another entity or to the vendor of a business and, as a consequence, the vendor acquires over 20% of the company incorporating the merged businesses. The vendor could have achieved the same or a similar outcome by launching a scrip takeover for the company

RG111.24 There may be circumstances in which the allottee will acquire 20% or more of the voting power of the securities in the company following the allotment or increase an existing holding of 20% or more, but does not obtain a practical measure of control or increase its practical control over that company. If the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is ‘reasonable’ if it has assessed the issue price as being ‘not fair’ applying the test in RG111.10.

RG111.9 It has long been accepted in Australian mergers and acquisitions practice that the words ‘fair and reasonable’ in S640 established two distinct criteria for an expert analysing a control transaction:

- (a) is the offer ‘fair’; and
- (b) is it ‘reasonable’?

That is, ‘fair and reasonable’ is not regarded as a compound phrase.

- RG111.10 Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.
- RG111.11 An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

- **General**

The terms fair and reasonable are not defined in the Act so we have defined them for the purpose of this report as:

- Fairness - The Proposed Transaction is fair if the value of one Octanex share after the Proposed Transaction is equal to or greater than the value of one Octanex share before the Proposed Transaction.
- Reasonableness - the Proposed Transaction is "reasonable" if it is fair. It may also be "reasonable" if, despite not being "fair" but after considering other significant factors, shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received.

In determining whether the Proposed Transaction is fair, we have:

- determined the value of one Octanex share;
- valued Strata;
- valued Exmouth;
- determined the value of one Octanex share after the acquisition of Strata and Exmouth; and
- compared the value of one Octanex share before the Proposed Transaction with the value of one Octanex share after the Proposed Transaction.

In determining whether the Proposed Transaction is reasonable we have analysed other significant factors, which the Non-Associated Shareholders should consider prior to accepting or rejecting the Proposed Transaction.

- **Corporations Act 2001 – Chapter 2E**

Section 208 of the Act states that a public company must obtain approval from the company's members if it gives a financial benefit to a related party unless the benefit falls within the scope of an exception to the Act as set out in Section 210 to 216 of the Act.

Section 210 of the Act states that member approval is not needed to give a financial benefit on terms that:

- would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length; or
- are less favourable to the related party than the terms referred to in paragraph (a) above.

Section 211 of the Act states that member approval is not needed to give a financial benefit if:

- (a) the benefit is remuneration to a related party as an officer or employee;
- (b) to give the remuneration would be reasonable.

Section 228 of the Act defines 'related parties' as:

- (a) directors of the public company;
- (b) directors (if any) of an entity that controls the public company;
- (c) if the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;
- (d) spouses and de facto spouses of the persons referred to in paragraphs (a) to (c) above.

The issuance of the Octanex shares to Mr. E G Albers and Mrs. P J Albers and their Associates as part of the Proposed Transaction is permitted by the Act, however Section 208 provides that prior shareholder approval is required before a public company can provide a financial benefit to a related party. Shareholders must be provided with all the information that is reasonably required in order for them to decide whether or not it is in the company's interests to approve the giving of the financial benefit.

The ASIC media release issued on 10 August 2004 has expressed the view that the financial benefit must be adequately valued. ASIC has gone on to state:

“An adequate valuation requires the basis of the valuation and the principal assumptions behind the valuation to be disclosed, and in some circumstances it may be necessary to provide a valuation by an independent expert.”

The Directors of Octanex have requested DMR Corporate to independently assess the value of this financial benefit.

6. Octanex – Key Information

6.1 Background

Octanex was incorporated in Victoria on 13 March 1980 as Continental Coal & Carbon Corporation NL, a no liability public company. In March 1981 Octanex changed its name to Nicholas Resources NL and on 16 November 1988 Octanex adopted its present name.

On 16 January 2004 Octanex's shares were listed on the NSX.

Octanex's principal activity is petroleum and mineral exploration and investment. Octanex holds interests in 11 petroleum exploration permits situated in the offshore basins of Australia. Five of these permits are located in the offshore Exmouth Sub-basin (WA-384-P, WA-385-P, WA-394-P, WA-322-P and WA-329-P). Two permits are located in the Dampier Sub-basin (WA-323-P and WA-330-P) and a further two permits are located on the Exmouth Plateau (WA-362-P and WA-363-P). The remaining two permits are in the offshore Otway Basin (EPP34 and Vic/P61) in south eastern Australia.

Further information in respect of Octanex's exploration assets is set out in the attached Explanatory Memorandum.

6.2 Share Capital

As at the date of this report Octanex had on issue 50,556,837 fully paid ordinary shares. The major holders of Octanex's shares as at 28 November 2008 are presented in Appendix A-1. As at that date the top 20 shareholders held 75.7% of Octanex's issued fully paid shares.

As at the date of this report Octanex also had on issue the following tranches of options:

Expiry date of Tranche	No of Options	Exercise Price \$
30 June 2009	28,914,710	0.25
30 June 2009	750,000	0.40
30 June 2010	750,000	0.50
30 June 2011	750,000	0.60
30 June 2012	750,000	0.70
Total	<u>31,914,710</u>	

The 28,914,710 options with an exercise price of \$0.25 per share are listed on the NSX. The remaining tranches of options are unlisted.

Set out in Appendix A-2 are the top 20 holders of the options expiring on 30 June 2009. As at 28 November 2008 the top 20 option holders held 79.1% of this tranche of options.

6.3 Financial Performance

Octanex's Income Statements for the financial years ended 30 June 2007 and 2008 and for the three-month period ended 30 September 2008 are presented in Appendix B-1.

6.4 Cash Flow Statements

Octanex's cash flow statements for the financial years ended 30 June 2007 and 2008 are set out in Appendix B-2.

6.5 Financial Position

Octanex's Balance Sheets as at 30 June 2007 and 2008 and as at 30 September 2008 are presented in Appendix B-3.

7. Octanex – Valuation of Shares

7.1 Net Assets

The unaudited balance sheet as at 30 September 2008 discloses net assets of \$23,458,463 - refer Appendix B-3.

On 20 June 2008 Octanex announced that it had acquired 7,263,289 shares in Babcock & Brown Power (ASX code BBP) and on 29 July 2008 Octanex announced that it purchased a 5% shareholding in Orion Petroleum Limited (ASX code OIP). In addition to the above two recent share purchases, Octanex has a significant investment in Cue Energy Resources Limited (ASX code CUE) and several smaller investments in listed shares. We have adjusted Octanex's net assets to reflect the current market values (as at 26 November 2008) of its investment in listed shares. The net adjustment is a reduction in net assets (after tax) of approximately \$2,371,630.

We have concluded that the value of Octanex as at the date of this report, based on the net asset backing valuation methodology is \$21,086,833 (\$23,458,463 - \$2,371,630).

We have also considered the net asset backing per share on a fully diluted basis as Octanex has 31,914,710 options on issue. The details of the options are set out in Section 6.2 above. In calculating the diluted net asset backing the net assets need to be increased by the proceeds that will be received if the options are exercised. As the proceeds will not be received until such time as the options are exercised, the proceeds need to be discounted to their net present value. We have discounted the proceeds from the exercise of the options using a discount rate of 8% per annum and assuming that the options will not be exercised until immediately prior to their expiration. Based on these assumptions we have concluded that only the listed options and the options expiring on 30 June 2009 are dilutive.

Using the above information we have calculated the diluted net asset backing as follows:

	Total \$	No of shares
Adjusted net asset backing	21,086,833	50,556,837
Net present value on exercise of options		
Listed options	6,763,975	28,914,710
30/6/2009 Unlisted options	280,714	750,000
Total	<u>28,131,522</u>	<u>80,221,547</u>

As can be seen from the above table, we have assessed the value of Octanex's net assets on a diluted basis at \$28,131,522.

7.2 Orderly Realisation of Assets

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets or business segments on the basis of an assumed orderly realisation. Consequently, this method may ignore the ability of the asset base of the business to generate ongoing future earnings at a level sufficient to justify a value in excess of the value of its assets in an orderly realisation.

We do not consider that this valuation methodology is an appropriate methodology to value Octanex as Octanex has sufficient cash resources to continue the exploration and evaluation of its oil and gas interests.

7.3 Earnings Valuation

Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

As Octanex does not have an operating and/or profitable business, we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value Octanex.

7.4 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.

As Octanex does not have a business capable of producing long-term cash flows, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value Octanex.

7.5 Share Price History

A table of the share price and volume history of Octanex from 1 July 2007 to 17 November 2008 is set out below:

Month	Share Price			Volume	Value
	High \$	Low \$	Average \$		
2007					
July	0.180	0.180	0.180	60,000	10,800
August	0.200	0.200	0.200	20,000	4,000
September	0.200	0.200	0.200	20,000	4,000
October	0.000	0.000	0.000	-	-
November	0.200	0.180	0.190	20,000	3,800
December	0.200	0.170	0.179	63,104	11,317
2008					
January	0.180	0.150	0.160	117,096	18,777
February	0.200	0.090	0.165	83,000	13,662
March	0.220	0.180	0.194	311,358	60,432
April	0.260	0.220	0.243	440,635	107,065
May	0.250	0.190	0.213	341,628	72,618
June	0.250	0.200	0.237	73,200	17,340
July	0.000	0.000	0.000	-	-
August	0.000	0.000	0.000	-	-
September	0.200	0.200	0.200	2,000	400
October	0.200	0.200	0.200	78,800	15,760
November 1-17	0.200	0.200	0.200	10,366	2,073
				1,641,187	342,043

The above table shows that the total volume of shares traded was 1,641,187 and this equates to approximately 3% of the shares on issue. This indicates that the stock is illiquid.

The table shows that the price during the period varied from a low of \$0.09 in February 2008 to a high of \$0.26 in April 2008.

Octanex announced the commercial arrangements with Shell on 21 February 2008. This transaction resulted in a significant profit for Octanex. Since the announcement of this transaction, the volume weighted average price of Octanex shares has been \$0.22 per share on a volume of 1,298,987 shares.

Based on the above information, we have formed the opinion that the Octanex shares have a market value of approximately \$0.22 per share.

As Octanex has 50,556,837 shares on issue, based on the share price history methodology, Octanex equity is valued at \$11,122,504, however due to the low value of shares traded, limited weight can be given to the results of this valuation methodology.

7.6 Alternate Acquirer

The value that an alternate offeror may be prepared to pay to acquire Octanex is a relevant valuation methodology to be considered.

Octanex's exploration assets, comprising of an interest in 11 exploration permits, are identical to those of Strata. The exploration assets are described in the Explanatory Memorandum.

As Octanex's major assets, excluding listed investments and cash, are its exploration properties, the value that an alternate offeror may be prepared to pay to acquire these exploration properties is another approach to applying this methodology.

DMR Corporate retained RPS Energy Pty Ltd (“RPS”) to prepare a valuation of the oil and gas exploration assets held by Octanex and Strata, for our use in preparing this report.

RPS is an international consulting firm specialising in consulting to the energy sector, including farmin and asset evaluations. RPS prepared a report addressed to DMR Corporate, which values each of the oil and gas exploration assets held by Octanex.

We have reviewed the valuation report prepared by RPS and discussed the valuation with Mr. D. Guise Managing Director – Consulting of RPS. As a result of our review of the RPS report and discussions with Mr. Guise, we have used the values determined by RPS as a basis of our assessment of the value that an alternate acquirer may be prepared to pay to acquire Octanex’s oil and gas exploration assets.

RPS arrived at the following values in respect of Octanex’s oil and gas assets:

Permit	Basin	Strata’s Percentage Interest	Value of Strata’s Equity Share (US\$)	Valuation Method
WA-322-P	Exmouth Sub-basin	50%	300,000	Previous transaction over this permit
WA-329-P	Exmouth Sub-basin	50%	200,000	Previous transaction over this permit
WA-323-P	Dampier Sub-basin	50%	2,437,500	Cost of survey acquisition
WA-330-P	Dampier Sub-basin	50%	2,437,500	Cost of survey acquisition
EPP34	Western Otway	15%	242,100	Cost of survey acquisition
Vic/P61	Otway	10%	80,000	Cost of survey acquisition
WA-384-P	Southern Exmouth Sub-basin	50%	1,250,000	Riskd value of residual interest
WA-385-P	Southern Exmouth Sub-basin	50%	1,250,000	Riskd value of residual interest
WA-394-P	Southern Exmouth Sub-basin	50%	1,250,000	Riskd value of residual interest
WA-362-P	Exmouth Plateau	14%	1,983,333	Previous transaction over permit
WA-363-P	Exmouth Plateau	14%	1,983,333	Previous transaction over permit
Total Value			<u>13,413,766</u>	

As can be seen from the above table, RPS valued the exploration assets held by Octanex at US\$13,413,766. Based on the current exchange rate of approximately A\$1:US\$0.64, this places a value of \$20,959,009 on Octanex’s oil and gas assets.

As stated in Section 7.1 above, the net assets of Octanex, after adjusting the value of listed investments to current market values, were \$21,086,833, or \$28,131,522 on a diluted basis. The net assets include exploration assets with a book value of \$7,196,314. This means that Octanex’s net assets excluding its oil and gas assets were \$13,890,519 (\$22,086,833 - \$7,196,314), or \$20,935,208 (\$28,131,522 – \$7,196,314) on a diluted basis.

The difference between the assessed value of Octanex's exploration assets of \$20,959,009 and their book value of \$7,196,314 is an unrealised gain of \$13,762,695. This gain would be subject to company tax at the rate of 30% if realised (\$4,128,809).

The following table sets out the value of Octanex's net assets assuming that the oil and gas exploration assets were disposed of at the values determined by RPS:

	Net Asset Value	
	Undiluted	Diluted
	\$	\$
Octanex's net assets - Section 7.1	21,086,833	28,131,522
Book value of exploration assets	(7,196,314)	(7,196,314)
Value of Exploration assets per RPS	20,959,009	20,959,009
Deferred tax liability on unrealised gain	(4,128,809)	(4,128,809)
Adjusted net assets	<u>30,720,719</u>	<u>37,765,408</u>

Based on the alternate acquirer valuation methodology we have valued Octanex at \$30,720,719, or \$37,765,408 on a diluted basis.

7.7 Conclusion

A summary of the valuation methodologies that we considered to be applicable in valuing Octanex is as follows:

Valuation Methodology	Note 1 Low \$	Note 1 High \$
Net Assets	28,131,522	28,131,522
Share Price History	11,122,504	11,122,504
Alternate Acquirer	37,765,408	37,765,408
Note 1 Only values on a diluted basis are shown as undiluted values would overstate the value of one Octanex share		

Based on the above, we consider that the alternate acquirer valuation methodology (which we have adopted in Section 7.6 above) is the most appropriate valuation methodology to adopt and we have accordingly valued Octanex at \$37,765,408.

In Section 7.1 above we concluded that on a diluted basis Octanex would have 80,221,547 shares on issue. This places a value of \$0.47 per share on the Octanex shares.

8. Strata – Key Information

8.1 Background

Strata was incorporated on 31 March 1969 as Nobelex NL, a no liability public company. The Company subsequently changed its structure to a limited liability company effective 21 June 1979 and adopted the name Nobelex Limited. The Company was in receivership between 1992 and 1994. After emerging from receivership the Company adopted its present name on 21 February 1995 and changed its status back to a no liability company.

Strata's principal activity is petroleum exploration and investment in that sector. The exploration assets held by Strata are identical to those held by Octanex, that is Strata holds the same percentage interest as Octanex in the 11 petroleum exploration permits in which Octanex has an interest. These exploration assets are described in Section 10 of the attached Explanatory Memorandum.

8.2 Share Capital

As at the date of this report Strata had on issue 54,713,273 fully paid ordinary shares. The major holders of Strata's shares as at 28 November 2008 are presented in Appendix C. As at that date the top 20 shareholders held 97.3% of Strata's issued fully paid shares.

As can be seen from Appendix C, Strata's largest shareholder is Doravale, with a holding of 20,000,000 shares, or 37.2% of the total shares on issue. Doravale holds these shares as Trustee of a Trustee Stock Scheme. Doravale has the power to sell these shares, however the net proceeds from any sale are to be paid to Strata. For this reason, in assessing the value per Strata share, we have ignored the shares held by Doravale.

As at the date of this report Strata also had on issue the following options to acquire ordinary shares:

Expiry date of Tranche	No of Options	Exercise Price \$
30 June 2009	500,000	0.40
30 June 2010	500,000	0.50
30 June 2011	500,000	0.60
30 June 2012	500,000	0.70
Total	<u>2,000,000</u>	

The options are not being acquired by Octanex and for the purpose of this report, we have assumed that the options will not be exercised prior to the completion of the Proposed Transaction.

8.3 Financial Performance

Strata's Income Statements for the financial years ended 30 June 2007 and 2008 and for the three-month period ended 30 September 2008 are presented in Appendix D-1.

8.4 Cash Flow Statements

Strata's cash flow statements for the financial years ended 30 June 2007 and 2008 are set out in Appendix D-2.

8.5 Financial Position

Strata's Balance Sheets as at 30 June 2007 and 2008 and as at 30 September 2008 are presented in Appendix D-3.

9. Strata – Valuation

9.1 Net Assets

The unaudited balance sheet as at 30 September 2008 discloses net assets of \$17,929,052 - refer Appendix D-3.

Included in Strata's net assets are 705,000 shares in Octanex and an equal number of listed Octanex options. These shares and options were recorded at a total value of \$155,100 in Strata's balance sheet at 30 September 2008. In Section 11 we valued the Octanex shares, after the Proposed Transaction at \$0.49 per shares. This places a value of \$345,450 on the 705,000 Octanex shares held by Strata. As the exercise price of the options is \$0.25, for the purpose of assessing the value of Strata's net assets, we have valued each option at its intrinsic value of \$0.24, or \$169,200 for the 705,000 options in Octanex held by Strata. After allowing for the income tax on the increase in the value of the Octanex share and options, we have increased Strata's net assets by \$251,685.

We have concluded that the value of Strata as at the date of this report, based on the net asset backing valuation methodology is \$18,180,737 (\$17,929,052 + \$251,685).

9.2 Orderly Realisation of Assets

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets or business segments on the basis of an assumed orderly realisation. This method may ignore the ability of the asset base of the business to generate ongoing future earnings at a level sufficient to justify a value in excess of the value of its assets in an orderly realisation. Costs associated with the sale of the assets or business segments are deducted as part of the assessment.

We do not consider that this valuation methodology is an appropriate methodology to value Strata as Strata has considerable cash resources, which enable it to continue the exploration, and evaluation of its oil and gas interests.

9.3 Earnings Valuation

Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

As Strata does not have an operating and/or profitable business, we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value Strata.

9.4 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.

As Strata does not have a business capable of producing long-term cash flows, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value Strata.

9.5 Alternate Acquirer

The value that an alternate offeror may be prepared to pay to acquire Strata is a relevant valuation methodology to be considered.

Strata's exploration assets are identical to those of Octanex and comprise of interests in the 11 exploration permits detailed in Section 7.6 above.

As Strata's major assets, excluding cash, are its exploration properties, the value that an alternate offeror may be prepared to pay to acquire these exploration properties is another approach to applying this methodology.

DMR Corporate retained RPS to prepare a valuation of the oil and gas exploration assets held by Strata and Octanex, for our use in preparing this report.

As set out in Section 7.6 above, RPS valued the exploration assets held by Octanex at US\$13,413,766. As Strata holds an identical interest in the same assets, the value of the exploration assets of Strata is also US\$13,413,766. Based on the current exchange rate of approximately A\$1:US\$0.64, this places a value of \$20,959,009 on Strata's oil and gas assets.

As can be seen from Section 9.1 above, we have assessed the book value of Strata's net assets as at 30 September 2008 at \$18,180,737. The net assets include exploration assets of \$7,185,754. This means that Strata had net other tangible assets of \$10,994,983 (\$18,180,737 - \$7,185,754).

The difference between the assessed value of Strata's exploration assets of \$20,959,009 and their book value of \$7,185,745 is an unrealised gain of \$13,773,255. This gain would be subject to company tax at the rate of 30% if realised (\$4,131,977).

The following table sets out the value of Strata's net assets assuming that the oil and gas exploration assets were disposed of at the values determined by RPS:

	Value per share \$
Strata's net assets at 30 September 2008 – Section 9.1	18,180,737
Book value of exploration assets	(7,185,754)
Value of Exploration assets per RPS	20,959,009
Deferred tax liability on unrealised gain	(4,131,977)
Adjusted net assets	<u>27,822,016</u>

In our opinion Strata's net assets are valued at \$27,822,016.

9.6 Share Price History

Strata is an unlisted public company and there is no market in its shares. The most recent share issue was in July 2008 when 400,000 shares were issued to two directors in satisfaction of their activities as directors. Whilst these shares were only issued in July 2008, the shares were granted on 14 February 2008. The share grant was priced at \$0.25 per share.

Strata also issued 500,000 shares in June 2008 as a result of an exercise of options. The option exercise price was \$0.30 per share. We believe that the fact that options with an exercise price of \$0.30 were exercised provides evidence that the value of Strata shares is at least \$0.30 per share, however it does not provide any evidence of the actual market value of Strata's shares.

As there is limited recent evidence of the market value of Strata shares, we have concluded that the share price history methodology is not a reliable measure of the value of Strata shares.

9.7 Conclusion

A summary of the valuation methodologies that we considered to be applicable in valuing the Strata shares is as follows:

Valuation Methodology	Low \$	High \$
Net Assets	18,180,737	18,180,737
Alternate Acquirer	27,822,016	27,822,016

In our opinion the alternate acquirer methodology is the most appropriate valuation methodology to apply in valuing Strata shares and we have accordingly valued the Strata shares at \$27,822,016.

10. Exmouth – Key Information and Valuation

10.1 Background

Exmouth was incorporated on 24 October 2008 for the sole purpose of acquiring certain exploration assets from its parent company, Gascorp. As such Exmouth has no prior trading history and its only assets will be the exploration assets acquired from Gascorp. These assets are being acquired in exchange for Exmouth shares and consequently Exmouth has no liabilities.

Gascorp has agreed to assign interests in four exploration permits to Exmouth. These permits (WA-362-P, WA-363-P, WA-386-P and WA-387-P) are described in Section 12.2 of the Explanatory Memorandum. Strata and Octanex hold interests in two of these permits (WA-362-P, WA-363-P).

10.2 Valuation of Exmouth

Given the nature of Exmouth's assets, which are not being acquired on an arms length basis, the only methodology that can be applied to valuing Exmouth is that described in Section 9.5 above.

RPS prepared a valuation of the oil and gas exploration assets to be transferred to Exmouth, for our use in preparing this report. We have reviewed the valuation report prepared by RPS and discussed the valuation with Mr. D. Guise Managing Director – Consulting of RPS. As a result of our review of the RPS report and discussions with Mr. Guise, we have used the values determined by RPS as a basis of our assessment of the value that an alternate acquirer may be prepared to pay to acquire Exmouth's oil and gas exploration assets.

The oil and gas exploration permits to be transferred to Exmouth are described in Section 12.2 of the Explanatory Memorandum. RPS arrived at the following values in respect of Exmouth's oil and gas assets:

Permit	Basin	Exmouth's Percentage Interest	Value of Exmouth's Equity Share (US\$)	Valuation Method
WA-362-P	Exmouth Plateau	12%	1,700,000	Previous transaction over permit
WA-363-P	Exmouth Plateau	12%	1,700,000	Previous transaction over permit
WA-386-P	Exmouth Plateau	40%	5,666,666	Previous transaction over permit
WA-387-P	Exmouth Plateau	40%	5,666,666	Previous transaction over permit
Total Value			<u>14,733,332</u>	

As can be seen from the above table, RPS valued Exmouth's oil and gas assets at US\$14,733,332. Based on the current exchange rate of approximately A\$1:US\$0.64, this places a value of \$23,020,831 on Exmouth's oil and gas assets.

As explained in Section 10.1 above, Exmouth has no other assets.

Exmouth obtained the oil and gas assets from its parent company. The assets have a cost base for tax purposes of \$Nil.

The difference between the appraised value of Exmouth's exploration assets of \$23,020,831 and their cost base of \$Nil would be subject to company tax at the rate of 30% if realised (\$6,906,249).

The following table sets out the value of Exmouth's net assets assuming that the oil and gas exploration assets were disposed of at the values determined by RPS:

	Value per share \$
Value of Exploration assets per RPS	23,020,831
Deferred tax liability on unrealised gain	(6,906,249)
Adjusted net assets	<u>16,114,582</u>

In our opinion Exmouth's net assets are valued at \$16,114,582.

11. Assessment as to Fairness

In Section 7.7 above we valued Octanex on a diluted basis at \$37,765,408, or \$0.47 per share.

In Section 9.7 above we valued Strata at \$27,822,016 and in Section 10 we valued Exmouth at \$16,114,582.

Based on the above information we have assessed the value of Octanex after the Proposed Transaction as follows:

	Section	\$
Value of Octanex (diluted basis)	7.7	37,765,408
Value of Strata	9.7	27,822,016
Value of Exmouth	10	16,114,582
Value of Octanex After the Proposed Transaction		<u>81,702,006</u>

We have also assessed that, on a diluted basis but excluding shares to be issued to Doravale, Octanex will have the following number of shares on issue following completion of the Proposed Transaction:

	Number of Shares – Diluted Basis
Octanex shares on issue	50,556,837
Octanex listed options	28,914,710
Octanex unlisted dilutive options	750,000
Share issue to acquire Exmouth	30,526,968
Share issue to acquire Strata	57,276,900
Total	<u>168,025,415</u>

As can be seen from the above information, we have valued Octanex after the Proposed Transaction at \$81,702,006. At that point in time Octanex will have 168,025,415 shares and dilutive options on issue (excluding shares to be issued to Doravale). On this basis the value of one Octanex share will be \$0.49.

As the value of one Octanex share after the Proposed Transaction (\$0.49) is greater than the value of one Octanex share before the Proposed Transaction (\$0.47), we consider that **the Proposed Transaction is fair to the Non-Associated Shareholders.**

12. Control Premium

A control premium represents the difference between the price, which would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of the company could be acquired. Control premiums are normally in a range of 25% to 35% above the value of a minority share.

Mr. E G Albers, a director of both Octanex and Strata, currently controls 31,082,380 Octanex shares, representing 61.5% of Octanex's voting power (or 64.2% if all of the dilutive options are included).

Mr. E G Albers also controls 53.4% of the voting power in Strata and 100% of the voting power in Gascorp.

The following table shows the impact on the voting power of Mr. E G Albers of the Proposed Transaction:

	EG Albers	Other Shareholders	Total	E G Albers Voting Power
Octanex shares on issue	31,082,380	19,474,457	50,556,837	61.5%
Share issue to acquire Strata	48,192,829	42,084,071	90,276,900	53.4%
Shares to acquire Exmouth	30,526,968	-	30,526,968	100.0%
Total	<u>109,802,177</u>	<u>61,558,528</u>	<u>171,360,705</u>	<u>64.1%</u>

As can be seen from the above table, whilst Mr E G Albers already controls Octanex, the Proposed Transaction will increase his level of control. (The above table shows the voting power before the exercise of any options. If all the options considered by us to be dilutive were exercised, the voting power of Mr E G Albers would increase to 64.8%).

It should be noted that the above table includes the 33,000,000 shares to be issued to Doravale. Whilst these shares are voting shares, the trustee does not exercise these voting rights. If these shares were excluded, the voting power of Mr. E G Albers would increase to 79.4%.

In section 7.7 we concluded that the value of one Octanex share before the Proposed Transaction was \$0.47 and this will increase to \$0.49 after the Proposed Transaction (Section 11). The increase in value represents an implied control premium of approximately 4%. The premium can be attributed to the fact that we have valued Exmouth at \$16,114,582 and Octanex is to issue 30,526,968 shares to acquire Exmouth, being \$0.53 per share.

Whilst the implied control premium of 4% is below the usual range for control premiums, in this case Mr E G Albers already controls Octanex and we consider the additional premium being offered to the Non-Associated Shareholders to be reasonable in the present circumstances.

13. Assessment as to Reasonableness

Prior to deciding whether to approve or reject the Proposed Transaction the shareholders should consider the following significant factors:

- In Section 11 above we concluded that the Proposed Transaction is fair.
- Octanex currently holds a 50% or lesser interest in each exploration permit. The table below compares the percentage interest in exploration permits held currently by Octanex with the percentage interest that will be held by Octanex if shareholders approve the Proposed Transaction.

Permit	Basin	Octanex's Current Percentage Interest	Octanex's Percentage Interest After the Proposed Transaction
WA-322-P	Exmouth Sub-basin	50%	100%
WA-329-P	Exmouth Sub-basin	50%	100%
WA-323-P	Dampier Sub-basin	50%	100%
WA-330-P	Dampier Sub-basin	50%	100%
EPP34	Western Otway	15%	30%
Vic/P61	Otway	10%	20%
WA-384-P	Southern Exmouth Sub-basin	50%	100%
WA-385-P	Southern Exmouth Sub-basin	50%	100%
WA-394-P	Southern Exmouth Sub-basin	50%	100%
WA-362-P	Exmouth Plateau	14%	40%
WA-363-P	Exmouth Plateau	14%	40%
WA-386-P	Exmouth Plateau	-	40%
WA-387-P	Exmouth Plateau	-	40%

As can be seen from the above table Octanex will have a greater degree of control over the exploration permits and we believe that this is a significant advantage of the Proposed Transaction.

- The Proposed Transaction will increase the market capitalisation of Octanex. This may make Octanex more attractive to potential investors, leading to an increased turnover in its shares and this in turn tends to support the share price.

After reviewing the above significant factors we consider that **the Proposed Transaction is reasonable to the Non-Associated Shareholders.**

14. Conclusion as to Fairness and Reasonableness

In Section 11 we concluded that the Proposed Transaction is fair as the value of one Octanex share after the Proposed Transaction (\$0.49) is greater than the value of one Octanex share before the Proposed Transaction (\$0.47).

In Section 13 we identified a number of significant factors that the Octanex shareholders should consider prior to voting on the Proposed Transaction. After considering these factors we concluded that the transaction is reasonable.

15. Related Party Benefits

Mr E G Albers and Mrs P J Albers are controlling shareholders in each of Octanex, Gascorp and Strata and, for the purposes of Chapter 2E of the Act, they are deemed to be related parties in respect of the Proposed Transaction. Mr E G Albers is a director of all 3 companies and Mrs P J Albers is a director of each of Octanex and Gascorp.

Mr E G Albers holds an effective 84.1% interest in Strata (excluding the shares held by Doravale) and in Section 9.7 above we valued Strata at \$27,822,016. As such the Strata interest held by Mr E G Albers has a value of \$23,398,315. Mr E G Albers (in conjunction with Mrs P J Albers) also controls all of Exmouth, which we valued in Section 10 at \$16,114,582. This means that the investments held by Mr E G Albers in Strata and Exmouth have a total value of \$39,512,897.

Mrs P J Albers holds an effective 74.2% interest in Strata (excluding the shares held by Doravale) and in Section 9.7 above we valued Strata at \$27,822,016. As such the Strata interest held by Mrs P J Albers has a value of \$20,643,936. Mrs P J Albers (in conjunction with Mr E G Albers) also controls all of Exmouth, which we valued in Section 10 at \$16,114,582. This means that the investments held by Mrs P J Albers in Strata and Exmouth have a total value of \$36,758,518.

As part of the Proposed Transaction Mr E G Albers, Mrs P J Albers and interests associated with each of them are to be issued with a total of 78,719,797 Octanex shares. In Section 11 above we valued each Octanex share after the Proposed Transaction at \$0.49. This means that Mr E G Albers, Mrs P J Albers and those interests associated with them are to be issued shares valued at \$38,572,700.

16. Financial Services Guide

16.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

16.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide reports for the purposes of acting for and on behalf of investors in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale investors.

16.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate's independence of the Entity commissioning the report and other parties to the transaction.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

16.4 General Financial Product Advice

DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

16.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Mr Paul Lom has any interest in the outcome of the Proposed Transaction, nor any relationship with Octanex, Strata, Gascorp or Mr. E G Albers.

Drafts of this report were provided to and discussed with a Director of Octanex and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

We have also been commissioned by Strata to prepare a report pursuant to Part 5.1 of the Act for the Strata shareholders in respect of the Proposed Transaction.

16.6 Remuneration

DMR Corporate is entitled to receive a fee of \$15,000 for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any report.

16.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have a system for handling complaints from persons to whom DMR Corporate provide financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd



Paul Lom
Director



Derek Ryan
Director

Octanex N.L.**20 Largest Shareholders as at 28 November 2008**

Name	Number of Ordinary Shares
Mr. Ernest Geoffrey Albers & Mrs. Pamela Joy Albers	5,980,899
Great Missenden Holdings Pty Ltd	5,450,305
Bass Strait Group Pty Ltd	4,033,058
The Albers Companies Incorporated Pty Ltd	2,955,491
Auralandia NL	2,509,340
Cue Petroleum Pty Ltd	2,386,664
Sacrosanct Pty Ltd	2,312,210
Great Missenden Group Pty Ltd	1,940,060
Cue Energy Resources NL	1,567,100
Mrs. Pamela Joy Albers	1,412,500
Mr. Ernest Geoffrey Albers	1,069,113
Fugro Multi Client Services Pty Ltd	1,034,540
Australis Mining Finance Pty Ltd	860,000
Mr. David Hugo Rankin	782,463
Upstream Consulting Pty Ltd	750,000
Mr. Neil Clifford Massey Abbott	724,040
Strata Resources N.L.	705,000
Mr. Charles Whyte	703,113
Sequest Petroleum Pty Ltd	598,000
Appledore Custodians Limited	500,000
Total number of shares held by the twenty largest holders	<u>38,273,896</u>
The percentage of the total holding of the twenty largest holders of ordinary shares was 75.7%	
Source: Octanex's share register – 28 November 2008	

Octanex N.L.**20 Largest Option Holders as at 28 November 2008**

Name	Number of Options
Great Missenden Holdings Pty Ltd	6,781,520
Bass Strait Group Pty Ltd	3,160,000
Mr. Ernest Geoffrey Albers & Mrs Pamela Joy Albers	2,200,000
Cue Petroleum Pty Ltd	2,000,000
Great Missenden Group Pty Ltd	1,760,000
Auralandia NL	1,200,000
Sacrosanct Pty Ltd	1,009,970
Strata Resources N.L.	705,000
Dr Violet Kathleen Petrovsky & Miss Irina Petrovsky <Est CC Petrovsky #2Chil A/C>	579,218
Mr. James Max Duddingston Willis	500,000
The Albers Companies Incorporated Pty Ltd	448,000
Australis Mining Finance Pty Ltd	360,000
Great Australia Corporation Pty Ltd	315,000
Mr. Charles Whyte	302,443
Cloudbreak Enterprises Ltd	299,970
Mr. David Hugo Rankin	296,400
Conningsborough Nominees Pty Ltd <CNSF A/C>	250,000
Mr. Peter William Hall	240,000
Cartron Pty Ltd	240,000
Mr. Christopher John Harris	230,000
Total number of options held by the twenty largest holders	<u>22,877,521</u>
The percentage of the total holding of the twenty largest holders of options was 79.1%	
Source: Octanex's option register – 28 November 2008	

Appendix B-1

Octanex N.L.

Income Statements

	Year Ended 30/6/2007 Audited \$	Year Ended 30/6/2008 Audited \$	Period Ended 30/9/2008 Unaudited \$
Interest income	109,728	867,117	364,945
Profit on sale of investments	1,089,397	2,882,154	-
Profit from sale of exploration tenements	-	22,846,117	-
Total revenue	<u>1,199,125</u>	<u>26,595,388</u>	<u>364,945</u>
Administration	(38,275)	(197,222)	(1,962)
Audit fees	(32,750)	(28,750)	(17,287)
Brokerage	-	(52,819)	(9,712)
Consulting	-	(36,735)	(16,743)
Directors' remuneration	(27,237)	(27,500)	-
Directors' superannuation	(33,600)	(59,700)	-
Exploration	(19,895)	(4,038)	-
Interest	-	-	(1,450)
Reporting, registry and stock exchange	(30,114)	(27,769)	(16,459)
Office expenses	(53,642)	(51,366)	(1,318)
Other expenses	(14,368)	(27,970)	(43,483)
Foreign exchange losses	(12,472)	(103,182)	(416,555)
Share based payments: deemed value of phantom shares and options at grant	-	(322,957)	-
Write-back of provision for retirement benefit	18,166	-	-
Total expenses	<u>(244,187)</u>	<u>(940,008)</u>	<u>(524,969)</u>
Profit/(loss) before income tax	<u>954,938</u>	<u>25,655,380</u>	<u>(160,024)</u>
Income tax (expense)/benefit	(269,670)	(7,789,634)	-
Profit for the year	<u>685,268</u>	<u>17,865,746</u>	<u>(160,024)</u>
Source: Octanex's audited Annual Report for the year ended 30 June 2008 and Octanex's 30 September 2008 management accounts			

Octanex N.L.

Cash Flow Statements

	Year Ended 30/6/2007 Audited \$	Year Ended 30/6/2008 Audited \$
Cash flows from operating activities		
Proceeds from sale of tenements	-	22,768,315
Interest received	109,728	816,022
Cash payments to suppliers - exploration	(79,298)	(878,796)
Cash payments to suppliers – other	(109,742)	(628,422)
Payments of income tax	-	(20,482)
Net cash from/(used in) operating activities	<u>(79,312)</u>	<u>22,056,637</u>
Cash flows from investing activities		
Proceeds from sale of investments	1,098,501	2,889,616
Acquisition of investments	(5,000)	(4,874,714)
Net cash from/(used in) investing activities	<u>1,093,501</u>	<u>(1,989,098)</u>
Cash flows from financing and other activities		
Proceeds from exercise of options	-	263,218
Net cash from/(used in) financing activities	<u>-</u>	<u>263,218</u>
Net increase / (decrease) in cash and cash equivalents	1,014,189	20,334,757
Exchange gains / (losses)	(12,472)	(12,385)
Cash and cash equivalents at beginning of period	1,680,185	2,681,902
Cash and cash equivalents at the end of period	<u>2,681,902</u>	<u>23,004,274</u>
Source: Octanex's audited Annual Report for the year ended 30 June 2008		

Octanex N.L.

Balance Sheets

	30/6/2007 Audited \$	30/6/2008 Audited \$	30/9/2008 Unaudited \$
CURRENT ASSETS			
Cash and cash equivalents	2,681,902	23,004,274	20,542,190
Trade and other receivables	46,611	305,060	50,585
Other	-	55,388	-
TOTAL CURRENT ASSETS	<u>2,728,513</u>	<u>23,364,722</u>	<u>20,592,775</u>
NON CURRENT ASSETS			
Other financial assets	9,759,189	13,101,351	8,744,352
Exploration costs	1,089,069	2,322,667	7,196,314
TOTAL NON CURRENT ASSETS	<u>10,848,258</u>	<u>15,424,018</u>	<u>15,940,666</u>
TOTAL ASSETS	<u>13,576,771</u>	<u>38,788,740</u>	<u>36,533,441</u>
CURRENT LIABILITIES			
Trade and other payables	138,626	759,694	104,800
Current tax liabilities	33,217	6,162,024	6,162,024
TOTAL CURRENT LIABILITIES	<u>171,843</u>	<u>6,921,718</u>	<u>6,266,824</u>
NON CURRENT LIABILITIES			
Provisions	-	221,295	221,295
Payable – Geokinetics	-	-	4,533,517
Deferred tax liabilities	2,694,758	3,846,052	2,053,342
TOTAL NON CURRENT LIABILITIES	<u>2,694,758</u>	<u>3,846,052</u>	<u>6,808,154</u>
TOTAL LIABILITIES	<u>2,866,601</u>	<u>10,989,065</u>	<u>13,074,978</u>
NET ASSETS	<u>10,710,170</u>	<u>27,799,675</u>	<u>23,458,463</u>
EQUITY			
Contributed equity	3,956,700	4,219,918	4,221,718
Reserves	5,250,233	4,210,774	27,786
Retained earnings	1,503,237	19,368,983	19,208,959
TOTAL EQUITY	<u>10,710,170</u>	<u>27,799,675</u>	<u>23,458,463</u>
Source: Octanex's audited Annual Report for the year ended 30 June 2008 and Octanex's 30 September 2008 management accounts			

Appendix C

Strata Resources N.L.

20 Largest Shareholders as at 28 November 2008

Name	Number of Ordinary Shares
Doravale Enterprises Pty Ltd	20,000,000
Mr. Ernest Geoffrey Albers & Mrs. Pamela Joy Albers	9,000,000
Sacrosanct Pty Ltd	5,175,000
Mr. Ernest Geoffrey Albers	4,457,775
Great Australia Corporation Pty Ltd	3,000,000
Fugro Multi Client Services Pty Ltd	1,610,413
Australis Finance Pty Ltd	1,325,000
Albers Custodian Company Pty Ltd	1,250,000
Mrs. Pamela Joy Albers	1,000,000
Sequest Petroleum Pty Ltd	1,000,000
Australian Natural Gas Pty Ltd	1,000,000
Wilstermere Corporation Pty Ltd	1,000,000
Great Missenden Group Pty Ltd	500,000
The Albers Companies Incorporated Pty Ltd	500,000
Great Missenden Holdings Pty Ltd	500,000
Upstream Consulting Pty Ltd	500,000
Ms Elaine Margaret Larsson	500,000
Cue Petroleum Pty Ltd	500,000
Mr. David Bruce Hill	200,264
Mr. Charles Wantrup	200,000
Total number of shares held by the twenty largest holders	<u>53,218,452</u>
The percentage of the total holding of the twenty largest holders of ordinary shares was 97.3%	
Source: Strata's share register – 28 November 2008	

Appendix D-1

Strata Resources N.L.

Income Statements

	Year Ended 30/6/2007 Audited \$	Year Ended 30/6/2008 Audited \$	Period Ended 30/9/2008 Unaudited \$
Gain on sale of investments	789,468	-	-
Gain on sale of tenements	-	22,837,170	-
Interest	17,444	607,218	372,619
Total revenue	<u>806,912</u>	<u>23,444,388</u>	<u>372,619</u>
Audit	(13,000)	(18,000)	-
Accounting & secretarial	(8,731)	(3,375)	(1,500)
Consulting	-	(11,196)	-
Legal fees	(5,000)	-	-
Directors remuneration	-	(20,000)	-
Directors superannuation	-	(42,362)	-
Foreign exchange losses	-	(92,928)	(432,351)
Management & administration – related parties	(54,740)	(161,864)	(12,035)
Share registry & reporting	(6,387)	(3,473)	(1,099)
Share based payments	-	(346,386)	-
Office expenses – related parties	(8,940)	(18,359)	-
Other expenses	(13,615)	(16,002)	(1,501)
Total expenses	<u>(110,413)</u>	<u>22,710,443</u>	<u>(448,486)</u>
Profit/(loss) before income tax	<u>696,499</u>	<u>22,710,443</u>	<u>(75,867)</u>
Income tax (expense)/benefit	(85,056)	(6,508,808)	-
Profit/(loss) for the year	<u>611,443</u>	<u>16,201,635</u>	<u>(75,867)</u>
Source: Strata audited financial statements for the year ended 30 June 2008 and Management Accounts for the period ended 30 September 2008			

Strata Resources N.L.

Cash Flow Statements

	Year Ended 30/6/2007 Audited \$	Year Ended 30/6/2008 Audited \$
Cash flows from operating activities		
Proceeds from sale of tenement interests	-	22,932,866
Cash payments to suppliers - exploration	(74,203)	(820,136)
Cash payments to other suppliers	(267,454)	(624,831)
Interest received	17,444	575,833
Net cash from/(used in) operating activities	<u>(324,213)</u>	<u>22,063,732</u>
Cash flows from investing activities		
Proceeds from sale of investments	816,400	-
Payments for investments	-	(346,331)
Net cash from/(used in) investing activities	<u>816,400</u>	<u>(346,331)</u>
Cash flows from financing and other activities		
Advances (to)/from related entity	(15,000)	
Options exercised	-	150,000
Net cash from/(used in) financing activities	<u>(15,000)</u>	<u>150,000</u>
Net increase / (decrease) in cash and cash equivalents	477,187	21,867,401
Cash and cash equivalents at beginning of period	163,070	640,257
Cash and cash equivalents at the end of period	<u>640,257</u>	<u>22,507,658</u>
Source: Strata's audited Annual Report for the year ended 30 June 2008		

Appendix D-3

Strata Resources N.L.

Balance Sheets

	30/6/2007 Audited \$	30/6/2008 Audited \$	30/9/2008 Unaudited \$
CURRENT ASSETS			
Cash and cash equivalents	640,257	22,507,658	21,761,538
Trade and other receivables	33,915	280,116	40,618
Forward currency contract	-	55,388	-
TOTAL CURRENT ASSETS	<u>674,172</u>	<u>22,843,162</u>	<u>21,802,156</u>
NON CURRENT ASSETS			
Other financial assets	174,226	458,983	280,105
Exploration and evaluation expenditure	1,074,509	2,312,106	7,185,754
TOTAL NON CURRENT ASSETS	<u>1,248,735</u>	<u>2,771,089</u>	<u>7,465,859</u>
TOTAL ASSETS	<u>1,922,907</u>	<u>25,614,251</u>	<u>29,268,015</u>
CURRENT LIABILITIES			
Trade and other payables	122,371	668,462	43,454
Current tax liabilities	-	4,931,346	4,931,346
TOTAL CURRENT LIABILITIES	<u>122,371</u>	<u>5,599,808</u>	<u>4,974,800</u>
NON CURRENT LIABILITIES			
Payable – Geokinetics	-	-	4,533,517
Deferred tax liabilities	82,395	1,641,384	1,587,721
Share based payments provision	-	242,925	242,925
TOTAL NON CURRENT LIABILITIES	<u>82,395</u>	<u>1,884,309</u>	<u>6,364,163</u>
TOTAL LIABILITIES	<u>204,766</u>	<u>7,484,117</u>	<u>11,338,963</u>
NET ASSETS	<u>1,718,141</u>	<u>18,130,134</u>	<u>17,929,052</u>
EQUITY			
Contributed equity	12,756,941	12,906,941	12,906,941
Reserves	(6,206)	54,152	(71,063)
Retained earnings/(accumulated losses)	(11,032,594)	5,169,041	5,093,174
TOTAL PARENT EQUITY INTEREST	<u>1,718,141</u>	<u>18,130,134</u>	<u>17,929,052</u>
Source: Strata's audited Annual Report for the year ended 30 June 2008 and Strata's Management Accounts as at 30 September 2008			

Sources of Information

The following sources of information have been utilised and relied upon in the course of preparing this report:

- Audited financial statements of Strata for the financial year ended 30 June 2008
- Audited financial statements of Octanex for the financial year ended 30 June 2008
- Strata's management accounts for the 3 months ended 30 September 2008
- Listing of Strata's top 20 shareholders as at 28 November 2008
- Octanex's management accounts for the 3 months ended 30 September 2008
- Octanex's NSX announcements for 2007 and 2008
- Share price summaries and company information for Octanex supplied by the NSX
- Listing of Octanex's top 20 shareholders and option holders as at 28 November 2008
- Valuation of Octanex's exploration assets prepared by RPS and dated October 2008
- Valuation of Gascorp's interests in WA-362-P, WA-363-P, WA-386-P and WA-387-P prepared by RPS and dated October 2008
- Draft of the Explanatory Memorandum to be forwarded to the shareholders of Octanex
- Discussions with the Octanex executives and their legal advisor.

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of Octanex pursuant to Section 611 and Chapter 2E of the Act to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

The procedures that we performed and the enquiries that we made in the course of preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

2. Qualifications

Mr Derek M Ryan and Mr Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Ryan has had over 35 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of the Institute of Chartered Accountants in Australia and a Registered Company Auditor with more than 30 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.



ABN 61 005 632 315

Level 21,
500 Collins Street
Melbourne Vic 3000
Australia

www.octanex.com.au

OCTANEX N L

ABN 61 005 632 315

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT A GENERAL MEETING OF MEMBERS OF OCTANEX N L ("COMPANY") WILL BE HELD AT INSTITUTE OF CHARTERED ACCOUNTANTS, LEVEL 3 600 BOURKE STREET, MELBOURNE IN THE STATE OF VICTORIA ON 10 FEBRUARY 2009 AT 10.00AM (AEDST)

AGENDA

BUSINESS:

ORDINARY: NIL

SPECIAL: AS SET OUT BELOW

To consider and, if thought fit, to pass each of the following resolutions as Ordinary or Special resolutions as applicable.

Resolution 1– Placement of Shares to Scheme Members

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That conditional on the passing of each of Resolutions 2 and 3 on this Notice of Meeting and subject to the proposed Scheme of Arrangement between Strata Resources NL and its members in Matter No 10002 of 2008 ("the Scheme") coming into effect, the Company issue and allot to the Scheme Members as defined therein, the Scheme Consideration as defined in the Scheme comprising approximately 90,276,900 ordinary shares in the capital of the Company each credited as fully paid with such shares being issued on the basis of 1.65 shares for every one (1) ordinary share held in the capital of Strata Resources N L as at the Record Date determined in accordance with the Scheme as the record date to determine entitlement to the Scheme Consideration under the Scheme.

Resolution 2– Approval for E G Albers, P J Albers and their Associates to participate in Scheme Consideration under the Scheme as defined in Resolution One above

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That conditional on the passing of each of Resolutions 1 and 3 on this Notice of Meeting and in compliance with the requirement of Chapter 2E of the Corporations Act 2001 ("Act") and in accordance with the provisions of Listing Rule 6.25(1) of National Stock Exchange of Australia Limited Listing Rules ("NSX Listing Rules"), that the issue and allotment of a total of 48,192,829 Shares in the capital of the Company be issued and allotted in accordance with the proposed Scheme of Arrangement between Strata Resources NL and its members in Matter No 10002 of 2008 ("the Scheme") as part of the Scheme Consideration as defined therein with such shares being issued and allotted to the following persons comprising E G Albers, P J Albers and their Associates (within the meaning of the Act):

Name of Member of Albers Group: proposed allottee of Octanex Shares	Existing Shareholding in Strata	Entitlement to Octanex Shares under Strata Scheme
Albers Custodian Company Pty Ltd	1,250,000	2,062,500
Auralandia N.L.	0	0
Australian Natural Gas Pty Ltd	1,000,000	1,650,000
Australis Finance Pty Ltd	1,325,000	2,186,250
Bass Strait Group Pty Ltd	0	0
Cue Petroleum Pty Ltd	500,000	825,000
EG & PJ Albers	9,000,000	14,850,000
EG Albers & EM Larsson	0	0
Ernest Geoffrey Albers	4,457,775	7,355,328
Great Australia Corporation Pty Ltd	3,000,000	4,950,000
Great Missenden Group Pty Ltd	500,000	825,000
Great Missenden Holdings Pty Ltd	500,000	825,000
Pamela Joy Albers	1,000,000	1,650,000
Sacrosanct Pty Ltd	5,175,000	8,538,750
Sequest Petroleum Pty Ltd	1,000,000	1,650,000
Strata Resources N.L.	0	0
The Albers Companies Incorporated Pty Ltd	500,000	825,000
Wilstermere Corporation Pty Ltd	1,000,000	1,650,000

Resolution 3– Acquisition of Exmouth Exploration Pty Ltd

To consider and, if thought fit, pass the following resolution as a Special resolution:

“That conditional on the passing of each of Resolutions 1 and 2 on this Notice of Meeting and in compliance with the requirement of Chapter 2E of the Corporations Act 2001 (“Act”) and in accordance with the provisions of Listing Rule 6.25(1) of National Stock Exchange of Australia Limited Listing Rules (“NSX Listing Rules”), the contract entered into between the Company and Gascorp Australia Pty Ltd whereby Gascorp Australia Pty Ltd agrees to exchange all of its shares in the capital of Exmouth Exploration Pty Ltd (“Exmouth”) for a consideration comprising the issue and allotment to it 30,526,968 of ordinary shares in the capital of the Company which contract is tabled at the meeting and marked with the letter “A” be approved and ratified and that the Company issue and allot the Shares to Gascorp Australia Pty Ltd on Exmouth which they will become entitled on the contract coming into effect with such shares and options to be issued and granted subject to such restrictions as National Stock Exchange of Australia Limited shall impose pursuant to the NSX Listing Rules.”

By Order of the Board of Octanex N L



G A Menzies

Director

Dated: 23 December 2008

NOTES

1. A Member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights.
2. A proxy duly appointed need not be a Member. In the case of joint holders all must sign.
3. A form of proxy accompanies this Notice and, to be effective, the form and any document necessary to show the validity of the form of proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for the Meeting. Any proxy lodged after that time will be treated as invalid.
4. Directors and Officers of all corporate shareholders should note that unless the corporate shareholder either:
 - (a) completes and lodges with the Company a valid appointment of proxy in accordance with the instructions on the enclosed Proxy Form; or
 - (b) completes and either lodges with the Company prior to the meeting a form of appointment of or certificate of appointment of personal representative in accordance with the provisions of Section 250D of the Corporations Act 2001 or causes such personal representative to attend the meeting with such form of appointment or certificate; or
 - (c) has appointed an attorney;and such proxy, personal representative or attorney attends the relevant meeting, then such corporate shareholder will be unable to exercise any votes at the relevant meeting.
5. Proxies and corporate appointment of representative forms may be returned to the Company in any of the following ways:
 - by delivery (by hand, mail, courier or facsimile) to the Company Secretary, Strata Resources N.L. at its registered office:
Level 21
500 Collins Street
Melbourne 3000
Facsimile: +61 (03) 8610 4799
 - by delivery (by hand, mail, courier or facsimile) to the Company's share registry, namely:
Link Market Service Limited
Level 1, 333 Collins Street
Melbourne VIC 3000
Facsimile +61 (3) 9615 9744

6. Corporate Members should comply with the execution requirements set out on the proxy form or otherwise comply with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

- 2 directors of the company; or
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary - that director.

For the Company to rely on the assumptions set out in Sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

In the case of a proprietary company that does not have a company secretary, as permitted by Section 204A of the Corporations Act, an instrument appointing a proxy shall be valid if it is executed by the sole company director of that company and the person signing the instrument of proxy states next to his signature that he is the sole company director of the company. In such a case the person signing the instrument of proxy will be deemed to have warranted and represented to the Company that the company appointing him is a company with a sole director and no company secretary.

7. Completion of a proxy form will not prevent individual Members from attending the meetings in person if they wish. Where a Member completes and lodges a valid proxy form and attends the meeting in person then the proxy's authority to speak and vote for that Member is suspended while the Member is present at the meeting.
8. Where a proxy form or form of appointment of or certificate of appointment of personal representative is lodged and is executed under power of attorney the power of attorney must be lodged in like manner as a proxy.

9. **Resolution 1: Placement of Shares to Scheme Members**

In accordance with the provisions of the Corporations Act 2001 and the provisions of NSX Listing Rules the following information is provided:

(a) **Corporations Act 2001 Requirements**

In accordance with the requirements of NSX Listing Rules, the Company has prepared the Explanatory Statement to which this notice of meeting is attached and has obtained the independent expert's report by DMR Corporate Pty Ltd.

(b) **Maximum Number of Securities proposed to be placed**

The maximum number of securities proposed to be placed is as set out in the resolution.

(c) **Date by which Securities will be placed.**

The securities will be placed, if at all, in accordance with the requirements of the Scheme as defined in the resolution.

(d) **Price at which Securities proposed to be placed**

As set out in the Explanatory Memorandum and as set out in the resolution the Company is issuing one share for every 1.65 Strata Shares with the Scheme Consideration having a value, as assessed by DMR Corporate Pty Ltd of \$0.49 for each share giving a value of \$0.80 for each Strata Share.

(e) **Names of allottees of Securities proposed to be placed**

The names of the proposed allottees are all of the members of Strata Resources NL who are entitled to participate in the Scheme Consideration under the Scheme as set out in the resolution.

(f) **Terms of Securities proposed to be placed**

The securities will be ordinary shares which will rank pari passu with all other ordinary shares on issue with effect from the date of allotment.

(g) **Use of funds raised**

No funds will be raised by the issue.

(h) **Voting exclusion statement: E G Albers, P J Albers and the Associates of each of them**

In accordance with the provisions of Chapter 2E of the Corporations Act 2001 the Company advises that it will disregard any votes cast on Resolution 1 on the notice of meeting by any of E G Albers, P J Albers and the Associates of either of them within the meaning of the Corporations Act 2001. However, the Company will not disregard a vote if:

- (i) it is cast by any such person or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

10. **Resolution 2: authority for E G Albers, P J Albers and their Associates to participate in Scheme Consideration**

In accordance with Chapter 2E of the Corporations Act 2001 the following information is provided in relation to resolution 2:

(a) **Corporations Act 2001 Requirements**

In accordance with the requirements the Corporations Act 2001 and in accordance with the requirements of relevant ASIC Regulatory Guides, the Company has prepared the Explanatory Statement to which this notice of meeting is attached and has obtained the independent expert's report by DMR Corporate Pty Ltd.

(b) **Voting exclusion statement: E G Albers, P J Albers and the Associates of each of them**

In accordance with the provisions of Chapter 2E of the Corporations Act 2001 the Company advises that it will disregard any votes cast on Resolution 2 on the notice of meeting by any of E G Albers, P J Albers and the Associates of either of them within the meaning of the Corporations Act 2001. However, the Company will not disregard a vote if:

- (i) it is cast by any such person or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

11. **Resolution 3: Acquisition of Exmouth Exploration Pty Ltd**

In accordance with Chapter 2E of the Corporations Act 2001 the following information is provided in relation to resolution 3:

(a) **Corporations Act 2001 Requirements**

In accordance with the requirements of NSX Listing Rules, the Company has prepared the Explanatory Statement to which this notice of meeting is attached and has obtained the independent expert's report by DMR Corporate Pty Ltd.

(b) **Maximum Number of Securities proposed to be placed**

The maximum number of securities proposed to be placed is as set out in the resolution.

(c) **Date by which Securities will be placed.**

The securities will be placed, if at all, in accordance with the requirements of the Scheme as defined in the resolution.

(d) **Price at which Securities proposed to be placed**

As set out in the Explanatory Memorandum and as set out in the resolution the Company is issuing 30,526,968 shares to acquire Exmouth, being an issue price of \$0.53 per share as based on the valuation referred to in the report by DMR Corporate Pty Ltd.

(e) **Names of allottees of Securities proposed to be placed**

The name of the proposed allottee is Gascorp Australia Pty Ltd as set out in the resolution.

(f) **Terms of Securities proposed to be placed**

The securities will be ordinary shares which will rank pari passu with all other ordinary shares on issue with effect from the date of allotment.

(g) **Use of funds raised**

No funds will be raised by the issue.

(h) **Voting exclusion statement: E G Albers, P J Albers and the Associates of each of them**

In accordance with the provisions of Chapter 2E of the Corporations Act 2001 the Company advises that it will disregard any votes cast on Resolution 3 on the notice of meeting by any of Gascorp Australia Pty Ltd, E G Albers, P J Albers and the Associates of any of them within the meaning of the Corporations Act 2001. However, the Company will not disregard a vote if:

- (i) it is cast by any such person or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

OCTANEX N L

ABN 61 005 632 315

PROXY FORM

The Company Secretary
Octanex NL
Level 21
500 Collins Street
Melbourne 3000

I/We (name of shareholder)

of.....

being a member/members of Octanex NL ^(address) Hereby Appoint:

(Name).....

of

(Address).....

and/or failing him

(Name).....

of

(Address).....

or failing either of them or any such appointment, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at Institute Of Chartered Accountants, Level 3 600 Bourke Street, Melbourne in the State of Victoria on 10 February 2009 at 10.00AM (AEDST) and at any adjournment thereof.

INSTRUCTIONS AS TO VOTING ON RESOLUTION: If no directions are given my proxy may vote as the proxy thinks fit or may abstain. Otherwise the Proxy is to vote for or against the Resolution referred to in the notice convening the General Meeting as follows:

	FOR	AGAINST	ABSTAIN
Resolution 1 – To issue and allot the Shares comprising the Scheme Consideration under the Strata Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – To issue and allot the Shares comprising the Scheme Consideration under the Strata Scheme to the members of the Albers Group named in resolution 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – To issue and allot 30,526,968 Shares to Gascorp Australia Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This Proxy is appointed to represent ___% of my voting right, or if 2 proxies are appointed Proxy 1 represents ___% and Proxy 2 represents ___% of my total votes. My total voting right is ___ shares. If no direction is given above or if more than one box is marked, I/we authorise my/our proxy to vote or abstain as my/our proxy thinks fit in respect of the Resolution to be considered by the meeting and any adjournment of the meeting.

Signature(s)

Date

Individual or Joint Shareholder 1

Director/Company Secretary

Joint Shareholder 2

Director

Joint Shareholder 3

Sole Director & Sole
Company Secretary

NOTES: Voting and Instructions for Appointment of Proxy:

1. In accordance with the Corporations Act 2001, the Directors have determined that the shares of Octanex NL that are quoted on the National Stock Exchange of Australia Limited ("NSX") as at 7.00 pm on 8 February 2009, will be taken, for the purposes of the General Meeting, to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote at the meeting.
2. A Member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights.
3. If the Member does not specify the proportion of votes the proxy may exercise, then each proxy will be taken to exercise one half of the votes held and subject to the proxy with fractional entitlements to votes being disregarded.
4. A proxy duly appointed need not be a Member of the Company. In the case of joint holders all must sign.
5. To be effective, this proxy, duly executed, and any document necessary to show the validity of this proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for the Meeting. Any proxy lodged after that time will be treated as invalid.
6. Directors and Officers of all corporate shareholders should note that unless the corporate shareholder either:
 - (a) completes and lodges with the Company a valid appointment of proxy in accordance with the instructions in these notes; or
 - (b) completes and either lodges with the Company prior to the meeting a form of appointment of or certificate of appointment of a personal representative in accordance with the provisions of Section 250D of the Corporations Law or causes such personal representative to attend the meeting with such form of appointment or certificate; or
 - (c) has appointed an attorney.and such proxy, personal representative or attorney attends the relevant meeting, then such corporate shareholder will be unable to exercise any votes at the relevant meeting.
7. Proxies and corporate appointment of representative forms may be returned to the Company in any of the following ways:
 - by delivery (by hand, mail, courier or facsimile) to the Company Secretary, Octanex N.L. at its registered office:
Level 21
500 Collins Street
Melbourne 3000
Facsimile: +61 (03) 8610 4799
 - by delivery (by hand, mail, courier or facsimile) to the Company's share registry, namely:
Link Market Service Limited
Level 1, 333 Collins Street
Melbourne VIC 3000
Facsimile +61 (3) 9615 9744
8. Corporate Members should comply with the execution requirements set out in these notes or otherwise comply with the provisions of Section 127 of the Act. Section 127 of the Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company; or
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.For Octanex NL to rely on the assumptions set out in Sections 129(5) and (6) of the Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.
9. Completion of this proxy form will not prevent individual Members from attending the meetings in person if they wish. Where a Member completes and lodges a valid proxy form and attends the meeting in person then the proxy's authority to speak and vote for that Member is suspended while the Member is present at the meeting.
10. Where this proxy form is lodged and is executed under power of attorney the power of attorney must be lodged in like manner as a proxy.
11. **Chairman's voting intentions:**
All members appointing proxies should note that the Chairman intends to exercise proxies in his favour, and which do not direct the proxy holder how to vote, in favour of all resolutions. **If you do not wish to direct your proxy how to vote please place a mark in the box.**

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By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.