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OCTANEX NL

(ABN 61 005 632 315)

NOTICE OF ANNUAL GENERAL MEETING EXPLANATORY NOTES

DATE OF MEETING

Friday, 28 November 2014

TIME OF MEETING

11:30am (ADST)

PLACE OF MEETING

The Institute of Chartered Accountants
in Australia on Level 3 of 600 Bourke Street,
Melbourne, Victoria

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OCTANEX N.L.

(ABN 61 005 632 315)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (**Meeting**) of the Members of Octanex N.L. (**Company**) will be held at The Institute of Chartered Accountants in Australia on Level 3 of 600 Bourke Street, Melbourne, Victoria on Friday, 28 November 2014 commencing at 11:30am (ADST).

ORDINARY BUSINESS

1. Annual Financial Report

To receive and consider the Consolidated Financial Statements of the Company for the year ended 30 June 2014 and the reports of the Directors and Auditor thereon

(Refer to Note 1 of the Explanatory Notes below)

2. Resolution 1: Adoption of the Remuneration Report for the year ended 30 June 2014

To consider and if thought fit, to pass the following as a non-binding and advisory resolution in accordance with section 250R of the Corporations Act:

“To adopt the Remuneration Report as included in the Directors’ Report for the year ended 30 June 2014.”

(Refer to Note 2 of the Explanatory Notes below and note that the vote on this resolution is advisory only and does not bind the Company or its Directors)

3. Resolution 2: To consider the re-election of G. A. Menzies as a Director of the Company

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

“That Mr Graeme Alan Menzies, who retires as a Director pursuant to the Constitution and, being eligible, offers himself for re-election and is hereby elected as a Director of the Company.”

(Refer to Note 3 of the Explanatory Notes below)

4. Resolution 3 To consider the election of R Clark as a Director of the Company

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

“That Mrs Raewyn Louise Clark, who retires as a Director pursuant to the Constitution and, being eligible, offers herself for election and is hereby elected as a Director of the Company.”

(Refer to Note 3 of the Explanatory Notes below)

5. Resolution 4: Approval of a 10% Placement Capacity under Listing Rule 7.1A

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

“That for the purposes of Listing Rule 7.1A and for all other purposes, the issue of up to 10% of the Company’s share capital, calculated in accordance with Listing Rule 7.1A and on the terms and conditions set out in the Explanatory Memorandum, is approved.”

(Refer to Note 4 of the Explanatory Notes below)

6. Resolution 5: Grant of Options to Mr J M D Willis

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

“That, for the purpose of Chapter 2E of the Corporations Act and Listing Rule 10.11.1, approval is given to grant Mr James M D Willis (or his nominee) 500,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 15.34 cents per option expiring at 5.00pm ADST 15

October 2018 with such options being granted on the terms and conditions set out in Note 5 of the Notes to this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this resolution.

(Also refer to Note 5 of the Explanatory Notes below and the attached Explanatory Memorandum.)

7. Resolution 6: Grant of Options to Mr G A Menzies

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

“That, for the purpose of Chapter 2E of the Corporations Act and Listing Rule 10.11.1, approval is given to grant Mr Graeme A Menzies (or his nominee) 500,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 15.34 cents per option expiring at 5.00pm ADST on 15 October 2018 with such options being granted on the terms and conditions set out in Note 5 of the Notes to this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this resolution.

(Also refer to Note 5 of the Explanatory Notes below and the attached Explanatory Memorandum.)

8. Resolution 7: Grant of Options to Mr D C Coombes

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

“That, for the purpose of Chapter 2E of the Corporations Act and Listing Rule 10.11.1, approval is given to grant Mr David C Coombes (or his nominee) 500,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 15.34 cents per option expiring at 5.00pm ADST on 15 October 2018 with such options being granted on the terms and conditions set out in out in Note 5 of the Notes to this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this resolution.

(Also refer to Note 5 of the Explanatory Notes below and the attached Explanatory Memorandum.)

9. Resolution 8: Grant of Options to Mrs R Clark

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

“That, for the purpose of Chapter 2E of the Corporations Act and Listing Rule 10.11.1, approval is given to grant Mrs Raewyn L Clark (or her nominee) 1,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 15.34 cents per option expiring at 5.00pm ADST on 15 October 2018 with such options being granted on the terms and conditions set out in out in Note 5 of the Notes to this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this resolution.

(Also refer to Note 5 of the Explanatory Notes below and the attached Explanatory Memorandum.)

10. Resolution 9: Grant of Options to employees, executives and consultants

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

“That, in accordance with, and for the purposes of Listing Rule 7.1 and in accordance with Listing Rule 7.3., approval is given to grant various employees, executives and consultants to the Company (or their respective nominees) a total of 3,100,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 15.34 cents per option expiring at 5.00pm ADST on 15 October 2018, with such options being granted on the terms and conditions set out in out in Note 6 of the Notes to this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this resolution.

(Also refer to Note 6 of the Explanatory Notes below and the attached Explanatory Memorandum.)

11. Resolution 10: Ratification of prior grant to employees, executives and consultants of 5,350,000 options

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

“That, in accordance with, and for the purposes of, Listing Rules 7.1 and in accordance with Listing Rule 7.4, the grant to various employees, executives and consultants to the Company of a total of 5,350,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 15.34 cents per option, of which 3,350,000 options have now been cancelled, which options were granted on the terms and conditions set out in out in Note 7 of the Notes to this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this resolution, be and is hereby approved and ratified.

(Also refer to Note 7 of the Explanatory Notes below and the attached Explanatory Memorandum.)

12. Resolution 11: Approval of grant of Options to Franciscus Adrianus Jacobs

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

“That, in accordance with, and for the purposes of Listing Rule 7.1 and in accordance with Listing Rule 7.3, approval is given to grant Mr Franciscus Adrianus Jacobs up to 7,000,000 options to acquire ordinary fully paid shares in the capital of the Company with each option being exercisable at an exercise price of \$A0.15 (15 cents) per option and with such options being granted in seven tranches of 1,000,000 options with five tranches of such options being subject to various hurdles specified in a consultancy agreement entered into between Mr Jacobs and the Company on 20 May 2014 (Consultancy Agreement) with each such options otherwise being granted on terms compliant with the provisions of the Listing Rules of ASX Limited and on the further terms that:

- (a) no option so granted to Mr Jacobs as set out in accordance with the terms of the Consultancy Agreement will vest in Mr Jacobs so as to become exercisable or transferable by him until the hurdles applicable to or specified in the Consultancy Agreement as part of the terms of grant of that option shall have been satisfied;*
- (b) notwithstanding the provisions of (a) above, each option will only vest in Mr Jacobs and become exercisable if the provisions of the Consultancy Agreement relating to Mr Jacob’s status as a consultant to Octanex are satisfied at the time that option vests in Mr Jacobs and becomes exercisable and transferable by him;*
- (c) the terms of the Consultancy Agreement shall govern the rights of Mr Jacobs in relation to the terms on which each shall option is granted or held in all respects;*
- (d) the options will not be listed on any stock exchange.”*

(Also refer to Note 8 of the Explanatory Notes below and the attached Explanatory Memorandum.)

13. Resolution 12: Approval of grant of Options to David Jeffrey Steketee

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

“That, in accordance with, and for the purposes of Listing Rule 7.1 and in accordance with Listing Rule 7.3, approval is given to grant Mr David Jeffrey Steketee up to 1,750,000 options to acquire ordinary fully paid shares in the capital of the Company with 875,000 of such options being exercisable at an exercise price of \$A0.20 (20 cents) exercisable three (3) years from the date of grant thereof (3 year Options) and with 875,000 of such options being exercisable at an exercise price of \$A0.25 (25 cents) exercisable four (4) years from the date of grant thereof (4 Year Options) with such options being granted subject to the terms and conditions of grant set out in Item 2 of Note 9 to the Notice and to the terms and conditions of set out in a consultancy agreement entered into between Peak Oil & Gas Limited (Peak), Octanex, Sagepark Holdings Pty Ltd and Mr Steketee on 19 May 2014 (Consultancy Agreement) with each such options otherwise being granted on terms compliant with the provisions of the Listing Rules of ASX Limited and on the further terms that all such options will be granted subject to such escrow restrictions, if any, as ASX may determine.”

(Also refer to Note 9 of the Explanatory Notes below and the attached Explanatory Memorandum.)

14. Resolution 13: Approval of grant of Options to James Michael Durrant

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

"That, in accordance with, and for the purposes of Listing Rule 7.1 and in accordance with Listing Rule 7.3, approval is given to grant Mr James Michael Durrant up to 1,750,000 options to acquire ordinary fully paid shares in the capital of the Company with 850,000 of such options being exercisable at an exercise price of \$A0.20 (20 cents) exercisable three (3) years from the date of grant thereof (3 year Options) and with 850,000 of such options being exercisable at an exercise price of \$A0.25 (25 cents) exercisable four (4) years from the date of grant thereof (4 Year Options) with such options being granted subject to the terms and conditions of grant set out in Item 2 of Note 10 to the Notice and to the terms and conditions of set out in a consultancy agreement entered into between Peak Oil & Gas Limited (Peak), Octanex, Pontia Pty Ltd and Mr Durrant on 19 May 2014 (Consultancy Agreement) with each such options otherwise being granted on terms compliant with the provisions of the Listing Rules of ASX Limited and on the further terms that all such options will be granted subject to such escrow restrictions, if any, as ASX may determine."

(Also refer to Note 10 of the Explanatory Notes below and the attached Explanatory Memorandum.)

15. Resolution 14: To consider increasing the aggregate amount of Non-executive Director remuneration

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

"That for the purposes of ASX Listing Rule 10.17 and pursuant to Rule 8.3(a) of the Company's Constitution, the aggregate of the remuneration payable to the Non-executive Directors in any financial year be increased from \$150,000 to \$250,000."

(Refer to Item 11 of the Explanatory Notes below)

16. Resolution 15: - Reduction of Capital: Cancellation of 33,000,000 Trustee Shares for no consideration

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

"That, pursuant to sections 256B and 256C of the Corporations Act 2001 (Cwth) (Corporations Act) and the Company's Constitution, the capital of the Company be reduced by cancelling the 33,000,000 shares registered in the name of Doravale Enterprises Pty Ltd (ACN 084 202 362) held on trust for sale with no consideration or return of capital or other distribution of any kind whatsoever being paid, or made, to Doravale Enterprises Pty Ltd or any other person in respect of, or in consideration for, such reduction of capital and cancellation of shares."

(Also refer to the attached Explanatory Memorandum.)

By order of the Board
OCTANEX N.L.



Robert Wright
Company Secretary
23 October 2014

Explanatory Notes to the Business of the Meeting

Note 1: Annual Financial Report of the Company

The Consolidated Financial Statements and related reports for the last financial year are contained in the Company's 2014 Annual Report and will be laid before the Meeting. While no resolution is required, Members are encouraged to ask questions of the Directors and the Auditor and make comments on the Consolidated Financial Statements and reports.

The Auditor responsible for preparing the Auditor's Report for the year ended 30 June 2014, (or his representative) will attend the Meeting. The Chairman will also allow a reasonable opportunity for Members to ask the Auditor questions about the:

- (a) conduct of the audit;
- (b) preparation and content of the Auditor's Report;
- (c) accounting policies adopted by the Company in relation to the preparation of the Consolidated Financial Statements; and
- (d) independence of the Auditor in relation to the conduct of the audit.

To assist the Directors and the Auditor in responding to questions, please submit your questions by mail to Octanex N.L., Level 21, 500 Collins Street, Melbourne 3000 or by fax to +61 (0)3 8610 4799 or by email to admin@octanex.com.au so they are received by no later than 5:00pm (ADST) on Friday, 21 November 2014, being five (5) business days prior to the Meeting.

As required under section 250PA of the Corporations Act, at the Meeting the Company will distribute a list setting out the questions directed to the Auditor that have been received in writing from Members, being questions the Auditor considers relevant to the content of the Auditor's Report or the conduct of the audit of the Consolidated Financial Statements for the year ended 30 June 2014. The Chairman will allow reasonable opportunity for the Auditor to respond to the questions set out in this list.

Note 2: Resolution 1 - Remuneration Report

The Remuneration Report, which is included in the Directors' Report section of the Company's 2014 Annual Report, will be laid before the Meeting. While the resolution to adopt it is not binding on the Company or the Directors, Members are encouraged to ask questions and make comments on the Remuneration Report. You should also note that the following voting restrictions apply in relation to voting on the Remuneration Report.

Voting exclusion statement

A vote may not be cast (in any capacity) on Resolution 1 by or on behalf of any of the following persons:

- (a) a member of the *Key Management Personnel*, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of a member of the Key Management Personnel.

However, a person described in (a) or (b) may cast a vote on Resolution 1 if:

- (c) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution; and
- (d) the vote is not cast on behalf of a person described in (a) or (b).

The Directors unanimously recommend eligible Members vote in favour of adopting the Remuneration Report.

Note 3: Resolutions 2 and 3 - Re-election and election of Directors

Resolution 2. The Company's Constitution (**Constitution**) requires that at every Annual General Meeting one third of the Directors (other than the Managing Director) shall, by rotation, retire from office and provides that such Director or Directors are eligible for re-election. Mr Menzies retires by rotation and is seeking re-election at the Meeting. The Directors, other than Mr Menzies, unanimously recommend all Members vote in favour of the re-election of Mr Menzies.

Resolution 3. The Company's Constitution requires that where a person is appointed as an additional director since the last Annual General Meeting that person must retire from office under Rule 8.1 (f) of the Constitution but is eligible for election. Mrs Clark retires in accordance with that Rule and is seeking election at the Meeting. The Directors, other than Mrs Clark, unanimously recommend all Members vote in favour of the election of Mrs Clark.

Note 4: Resolution 4 - Approval of 10% Placement Capacity under Listing Rule 7.1A

Under Resolution 4, the Company is seeking Members' approval of a Special Resolution to renew the Company's capacity to issue the maximum number of additional equity securities permitted under ASX Listing Rule 7.1A. This Listing Rule (**LR**) permits the placement of new equity securities (calculated in accordance with LR 7.1A.2) of up to 10% of the number of fully paid ordinary shares (**Shares**) in the Company on issue 12 months before the issue date or the date of agreement to issue

the additional equity securities (**10% Placement**). As Resolution 4 is a Special Resolution, it requires approval of 75% of the votes cast by Members present and eligible to vote at the Meeting. The 10% Placement may comprise any equity securities as defined by ASX Listing Rules.

As at the date of the Notice, the Company has not issued any equity securities under LR 7.1A.2 pursuant to the approval provided by Members at the 2013 Annual General Meeting.

Eligibility criteria

Under LR 7.1A an eligible entity may, subject to shareholder approval by way of special resolution, make such a 10% Placement in addition to the 15% new issue capacity available to ASX-listed entities under LR 7.1. An eligible entity for the purposes of LR 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is not included in the S&P/ASX 300 Index and has a market capitalisation of significantly less than \$300 million, so is an eligible entity.

Placement capacity under Listing Rule 7.1A

As at the date of this Notice, the Company had 259,262,308 ordinary shares on issue of which 151,983,398 were fully paid. Therefore, in addition to any equity securities it can issue under LR 7.1, if Resolution 3 is approved, the Company will have capacity to issue up to 15,198,340 equity securities under LR 7.1A, being up to 10% of the 151,983,398 fully paid ordinary shares presently on issue. However, the number of equity securities that may be issued under LR 7.1A may increase beyond 15,198,340, as the actual number of fully paid shares on issue may increase by the date of any issue that may be made should Resolution 4 be approved.

Minimum issue price

In accordance with LR 7.1A, equity securities issued under the 10% Placement can only be issued at a price that is equivalent to not less than 75% of the volume weighted average price (**VWAP**) of the Company's equity securities of the same class calculated over the 15 trading days on which trades in its Shares were recorded immediately before:

- the date on which the issue price of the equity securities is agreed; or
- the issue date (if the equity securities are not issued within five trading days of the date on which the issue price is agreed).

Placement period

Shareholder approval of the 10% Placement under LR 7.1A is valid from the date of the Meeting until the earlier to occur of:

- 12 months after the date of the Meeting; and
- the date of approval by Members of a transaction under LR 11.1.2 (a significant change to the nature or scale of activities) or LR 11.2 (disposal of main undertaking), or such longer period if allowed by ASX. (The approval of Members to the 10% Placement under LR 7.1A will cease to be valid in the event that Members approve a transaction under LR 11.1.2 or 11.2.)

Shareholder approval under LR 7.1A does not lapse if the Company's market capitalisation subsequently exceeds \$300 million or it is included in the S&P/ASX 300 Index at some time during the placement period; provided the Company meets the criteria under LR 7.1A on the date of the Meeting.

Dilution to existing shareholdings

If Resolution 4 is approved by Members and the Company issues equity securities under the 10% Placement, there is a potential risk of economic and voting dilution to existing Shareholders as a result.

Further, as the market price of the equity securities may be significantly lower on the issue date of the 10% Placement than on the date of approval at the Meeting, and because equity securities may be issued at a price that is at a discount to the market price on the issue date, there is a risk that the 10% Placement may raise less funding than it would based on current market prices.

The economic dilution will reflect that existing Shareholders who do not participate in the 10% Placement will have their underlying economic interests in the Company's assets diluted pro rata to the dilution in their shareholdings.

Additionally, as the issue price of any equity securities issued under the 10% Placement capacity may be at a discount to the equivalent VWAP of the Company's Shares traded over the 15 trading days prior to their issue price being set or the equity securities being issued, a further economic effect of such a placement may be a reduction in the market price or value of their then existing equity holding in the capital of the Company. Whether such a reduction in market price or value occurs, and if so for how long it continues, will depend on factors not presently known, including the purpose for which the 10% Placement may be made. The converse outcomes may also occur.

It is not possible to set out further economic effects which may arise from the 10% Placement, as they are unknown in advance of such a placement being made.

Details of all issues of equity securities by Octanex during the 12 months preceding the date of the meeting as required by Listing Rule 7.3A6.

The only equity securities issued by Octanex during the 12 months preceding the date of the meeting were the 5,350,000 options to acquire ordinary shares for which ratification is being sought pursuant to Resolution 10 full details of the terms of which are set out in Note 7 of this Notice. The grantees of those options were the persons named in Item 1(c) of Note 7. The options were granted to executives, employees and consultants of Octanex as incentive options having regard to the nature and extent of the functions and responsibilities undertaken by them. No consideration (cash or otherwise) was paid for the options. The options are unlisted. The total number of equity securities on issue immediately prior the meeting was 259,262,308 shares and the 5,350,000 options referred to above. The 5,350,000 options represent approximately 2.0635% of the total number of securities on issue at the date of the meeting.

Table showing various hypothetical scenarios as required by Listing Rule 7.3A.2

As required by LR 7.3A.2, the table below shows a number of hypothetical scenarios for the 10% Placement where Variable "A" in the formula in LR 7.1A.2 (representing the Company's share capital) has increased by either 50% or 100% and the share price has decreased by 50% or increased by 100% from the approximate share price as at the date of this Notice.

DILUTION				
Variable "A" in LR 7.1A.2 is presently 151,983,398 fully paid shares		10% Placement Issue Price \$0.045 (being a 50% decrease from current Share Price)	10% Placement Issue Price \$0.09 (being the current Share Price)	10% Placement Issue Price \$0.18 (being a 100% increase in Issue Price above current Share Price)
Current Capital comprises 259,262,308 shares No increase in capital. Variable A remains 151,983,398 fully paid shares	Number of Shares	15,198,340	15,198,340	15,198,340
	Funds raised (excluding capital raising costs)¹	\$683,925	\$1,367,851	\$2,735,701
50% increase in capital² to 388,893,462 shares by issue of 129,631,154 fully paid shares. Variable A increases to 281,614,552 fully paid shares	Number of Shares³	28,161,455	28,161,455	28,161,455
	Funds raised¹	\$1,267,265	\$2,534,531	\$5,069,062
100% increase in capital² to 518,524,616 shares by issue of 259,262,308 fully paid shares. Variable A increases to 411,245,706 fully paid shares	Number of Shares³	41,124,571	41,124,571	41,124,571
	Funds raised¹	\$1,850,606	\$3,701,211	\$7,402,423

¹ Rounded to nearest whole dollar

² All Shares placed are fully paid.

³ No of Shares rounded to nearest whole Share

The table has been prepared on the following hypothetical assumptions but the Company does not represent the assumptions will necessarily occur:

- the Company issues the maximum number of Shares available under the 10% Placement.
- any increase in Variable A (being the Company's issued share capital at the time of issue under the 10% Placement) is due solely to an issue of fully paid Shares which is an exception in LR 7.2; for example a pro-rata rights issue. However, a 15% placement under LR 7.1 does not increase Variable "A" for the purposes of calculating the placement capacity under LR 7.1A. It should be noted that Variable A could increase as a result of the partly paid shares trading under ASX Code OXXCB becoming fully paid or the Trustee Shares referred to in Note 16 to the Company's Financial Statements being sold by the Trustee as fully paid shares or by the exercise of any options granted or agreed to be granted by the Company.
- the table shows only the effect of issues of fully paid shares under LR 7.1A, not under the 15% placement capacity available to ASX listed entities under LR 7.1.
- the table does not show the dilution that may be caused to any particular Shareholder by reason of placements of Shares under LR 7.1A, based on that Shareholder's holding at the date of the Meeting. For instance, Shareholders will have different outcomes depending on whether or not they participate in a pro-rata issue which has the effect of increasing Variable "A"; and

- the current price for fully paid shares is assumed to be \$0.09, being the price on 16 October 2014 immediately prior to lodgement of this Notice with ASX.

Purpose of the 10% Placement

The Company may seek to issue equity securities under the 10% Placement:

- at a cash issue price, in which case the Company would use the funds for existing projects, to fund new venture opportunities, as working capital generally or for other corporate purposes; or
- for a non-cash consideration, such as for the acquisition of new assets or investments, subject to any applicable ASX requirements.

In either case, the cash issue price or the value of the non-cash consideration must comply with the minimum issue price noted above.

The most probable purpose of a 10% Placement will be to fund ongoing working capital generally or, if the Company should make any acquisition(s), fund or partially fund such acquisition(s).

If equity securities under the 10% Placement are issued for a non-cash consideration then the Company will provide, and release to the market, a valuation of the non-cash consideration that demonstrates the issue price of the equity securities under the 10% Placement complies with the requirements of LR 7.1A. Such a valuation may be provided by an independent expert or by the Directors, provided in the latter case the Directors have appropriate expertise to value the relevant non-cash consideration and the report contains a similar level of analysis and is of a similar standard to an independent expert's report.

Allocation policy

The allottees of any equity securities to be issued under the 10% Placement capacity have not yet been determined. However, the allottees of equity securities could consist of current shareholders or new investors (or both), none of whom will be related parties of the Company.

No priority of application will be accorded to existing shareholders and, unless the 10% Placement was made with disclosure, the allottees will be excluded offerees under section 708(8), 708(10) or 708(11) of the Corporations Act.

Subject to the above provisos, the Company will determine the allottees and the manner of their selection at the time of the issue of the 10% Placement, having regard for the following factors:

- the purpose of the issue of equity securities;
- alternative methods for raising funds available to the Company at that time including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- the effect of the issue of equity securities on the control of the Company;
- the circumstances of the Company including, but not limited to, the financial position and solvency of the Company;
- prevailing market conditions; and
- advice from corporate, financial and broking advisors (if applicable).

Voting exclusion for Resolution 4

The Company will not disregard a vote if it is cast as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or 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.

At the date of the Notice the Company had not approached any Member or an identifiable class of Members to participate in the issue of equity securities. No Member's vote will therefore be excluded under the voting exclusion statements in the Notice.

Members should be aware that the Directors and their Associates may not participate in the placement of any equity securities pursuant to this resolution by virtue of the restrictions contained in LR 10.11 relating to placements of securities to related parties.

Recommendation

As at the date of the Notice containing these Explanatory Notes, the Company has no plans to raise additional capital utilising the 10% Placement authority provided by Resolution 4. However, many eligible resource companies are, as a matter of corporate prudence, seeking to obtain this form of available shareholder approval to enable capital raisings to be made, if appropriate, during the 12 months following the Meeting. Accordingly, Members' approval of Resolution 4 is considered prudent.

The Directors believe Resolution 4 will provide the Company with the flexibility to raise capital quickly if advantageous terms are available or if required for funding the Company's obligations in relation to the Ophir Risk Sharing Contract and where doing so is in the best interests of the Company.

The Directors unanimously recommend that all Members vote in favour of Resolution 4.

Voting Generally

- The Company has determined that, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cwth), the holders of shares of the Company who are on the Company's share register as at 11:30am (ADST) on 26 November 2014 will be taken for the purposes of the 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.
- A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights.
- A proxy duly appointed need not be a Member.
- A proxy form accompanies this Notice and, to be effective, the executed proxy form and any document necessary to show the validity of the proxy form must be lodged with the Company not less than 48 hours before the time appointed for the Meeting. Any proxy form lodged after that time will be treated as invalid.
- Directors and Officers of corporate shareholders should note that unless the corporate shareholder either:
 - (a) completes and lodges with the Company a valid form of 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 personal representative in accordance with the provisions of Section 250D of the Corporations Act or causes such personal representative to attend the Meeting with such form of appointment; or
 - (c) has appointed an attorney,and such proxy, personal representative or attorney attends the Meeting, then such corporate shareholder will be unable to exercise any votes at the Meeting.
- Proxy and corporate appointment of representative forms may be returned to the Company in the manner detailed at point 6 on the reverse of the proxy form.
- Corporate shareholders should comply with the execution requirements set out above and on the reverse of the proxy form and otherwise comply with the provisions of Section 127 of the Corporations Act, as detailed at point 7 on the reverse of the proxy form.
- Completion of a proxy form will not prevent individual Members from attending the Meeting 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.
- Where a proxy form or form 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.

Note 5: Resolutions 5, 6, 7 and 8: Proposed grant of options to each of Mr Willis, Mr Menzies, Mr Coombes and Mrs Clark

Item 1: Terms of options proposed to be granted to each of Mr Willis, Mr Menzies, Mr Coombes and Mrs Clark or their respective nominees

The proposed terms of grant of options are as follows:

- (a) The option entitles the holder to subscribe for one ordinary share in Octanex N L (ABN 61 005 632 315) (**the Company**) upon the payment of an amount of \$0.1534 (15.34 cents).
- (b) The option will lapse at 5.00pm (ADST) on 15 October 2018 (**Expiry Date**).
- (c) The options are not transferable to any person other than an Associate of the grantee (within the meaning of the Corporations Act 2001) without the prior approval of the Board of Directors of the Company.
- (d) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option or in the payment of any dividend without having exercised the option prior to the record date to determine entitlements to any such entitlements or distributions.
- (e) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised in respect to number and exercise price as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (f) The option shall be exercisable at any time during the period ending on or before the Expiry Date (**Exercise Period**) by the delivery to the registered office of the Company of a notice in writing (**Notice**) stating the intention of the optionholder accompanied by an Option Certificate or Holding Statement and a cheque made payable to the Company for the subscription monies for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.

- (g) The Company shall allot the resultant shares and deliver a statement of shareholdings with a Holders' Identification Number within 5 business days of exercise of the options.
- (h) The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

Item 2: Application of Listing Rules 10.11 and 10.13

In compliance with Listing Rules 10.11 and 10.13 the following information is provided in relation to resolutions, 5, 6, 7 and 8 on the Notice of Meeting.

- (a) The names of the grantees of the Options are as set out in resolutions resolutions 5, 6, 7 and 8;
- (b) The maximum number of Options which will be issued under resolution 5 is 500,000 options. The maximum number of Options which will be issued under resolution 6 is 500,000 options. The maximum number of Options which will be issued under resolution 7 is 500,000 options. The maximum number of Options which will be issued under resolution 8 is 1,000,000 options. In aggregate, a total of 2,500,000 options will be granted under resolutions 5, 6, 7 and 8.
- (c) The date by which Octanex will issue the Options will be will be not later than 27 December 2014 which is not later than one (1) month after the date of the Meeting.
- (d) The grantees of the Options the subject of resolutions 5, 6, 7 and 8 are each directors of Octanex as named in the resolutions (or their respective nominees who will be their respective Associates within the meaning of the Corporations Act).
- (e) The Options are issued free of cost as incentive Options. The exercise price of each Option is \$0.1534 (15.34 cents).
- (f) No funds will be raised by the grant of the Options.
- (g) In accordance with the provisions of Chapter 2E of the Corporations Act 2001 and the requirements of ASX Listing Rule 10.13 the Company advises that it will disregard any votes cast on Resolution 5 on the Notice of Meeting by Mr J M D Willis and any Associate of Mr Willis within the meaning of the Corporations Act. 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.
- (h) In accordance with the provisions of Chapter 2E of the Corporations Act and the requirements of ASX Listing Rule 10.13 the Company advises that it will disregard any votes cast on Resolution 6 on the Notice of Meeting by Mr G A Menzies and any Associate of Mr Menzies within the meaning of the Corporations Act. 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.
- (i) In accordance with the provisions of Chapter 2E of the Corporations Act and the requirements of ASX Listing Rule 10.13 the Company advises that it will disregard any votes cast on Resolution 7 on the Notice of Meeting by Mr D C Coombes and any Associate of Mr Coombes within the meaning of the Corporations Act. 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.
- (j) In accordance with the requirements of ASX Listing Rule 10.13 the Company advises that it will disregard any votes cast on Resolution 8 on the Notice of Meeting by Mrs R L Clarke and any Associate of Mrs Clarke within the meaning of the Corporations Act. 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.

In relation to each of resolutions 5, 6, 7 and 8, if approval is given by such resolution to grant options to the director named in such resolution (or to that director's nominee) under Listing Rule 10.11 further approval to grant such options is not required under Listing Rule 7.1.

Note 6: Resolution 9: Proposed grant of options to employees, executives and consultants

Item 1: Application of Listing Rules 7.1 and 7.3

In compliance with Listing Rules 7.1 and 7.3 the following information is provided in relation to resolution 9 on the Notice of Meeting.

- (a) The maximum number of Options which will be issued under the resolution is 3,100,000 Options as specified in resolution 9.
- (b) The date by which Octanex will issue the Options will be will be not later than 27 December 2014 which is not later than one (1) month after the date of the Meeting.
- (c) The Options are issued free of cost as incentive Options.
- (d) The persons to whom the options will be granted are Mr Robert J Wright, Mr John G Tuohy, Mr Brett D Maltz, Dr Simon Sturrock, Mr Peter Kirk, Mr Tim Morison, Mr John Cant, Mr John Piers Codling and Mr Andrew P Armitage, all of whom are employees or executives of, or consultants to, Octanex save in the case of Mr Codling, who is a

consultant to Ophir Production Sdn Bhd (OPSB), a company in which Octanex has a 50% shareholding. OPSB is undertaking the Ophir project offshore Malaysia.

- (e) The terms of the options to be granted to such persons are the same terms as are set out in full in Item 1 in Note 5 above and are the same terms as the options proposed to be granted to each of Mr Willis, Mr Menzies, Mr Coombes and Mrs Clark.
- (f) No funds will be raised by the grant of the Options.
- (g) In accordance with the requirements of ASX Listing Rule 7.3 the Company advises that it will disregard any votes cast on Resolution 9 on the Notice of Meeting by any of the persons named in paragraph (d) above and any Associate of any such persons within the meaning of the Corporations Act. 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.

Note 7: Resolution 10: Ratification of prior grant of options to employees, executives and consultants

Item 1: Application of Listing Rules 7.1 and 7.5

In compliance with Listing Rules 7.1 and 7.5 the following information is provided in relation to resolution 10 on the Notice of Meeting.

- (a) The number of Options granted for which ratification is sought is 5,350,000 Options.
- (b) The Options were issued free of cost as incentive Options. Ratification of the grant of the options is being made solely for the purpose of enabling the options to be disregarded in calculating the Company's placement power under Listing Rule 7.1.
- (c) The persons to whom the options were granted are Mr Robert J Wright, Mr John G Tuohy, Mr Brett D Maltz, Dr Simon Sturrock, Mr Peter Kirk, Mr Tim Morison, Mr John Cant and, Mr Andrew P Armitage and Mrs Raewyn Clark all of whom were, at the time of grant, employees or executives of, or consultants to, Octanex.
- (d) The exercise date of 3,350,000 options (which have since been cancelled) was 21 May 2016. The exercise date of the balance of 2,000,000 remaining extant 15 October 2018. The further terms of the options granted were as follows:
 - (a) *The option entitles the holder to subscribe for one ordinary share in Octanex N L (ABN 61 005 632 315) ("the Company") upon the payment of an amount of \$0.1534 (15.34 cents).*
 - (b) *The options are not transferable to any person other than an Associate of the grantee (within the meaning of the Corporations Act 2001) without the prior approval of the Board of Directors of the Company.*
 - (c) *There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option or in the payment of any dividend without having exercised the option prior to the record date to determine entitlements to any such entitlements or distributions.*
 - (d) *In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised in respect to number and exercise price as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.*
 - (e) *The option shall be exercisable at any time during the period ending on or before the Expiry Date ("Exercise Period") by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the optionholder accompanied by an Option Certificate or Holding Statement and a cheque made payable to the Company for the subscription monies for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.*
 - (f) *The Company shall allot the resultant shares and deliver a statement of shareholdings with a Holders' Identification Number within 5 business days of exercise of the options.*
 - (g) *The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.*
- (e) No funds were raised by the grant of the options.
- (f) In accordance with the requirements of ASX Listing Rule 7.5 the Company advises that it will disregard any votes cast on Resolution 10 on the Notice of Meeting by any of the persons named in paragraph (d) above and any Associate of any such persons within the meaning of the Corporations Act. 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.

Note 8: Resolution 11: Proposed grant of options to Franciscus Adrianus Jacobs

Item 1: Application of Listing Rules 7.1 and 7.3

In compliance with Listing Rules 7.1 and 7.3 the following information is provided in relation to resolution 11 on the Notice of Meeting.

- (a) The name of the grantee of the options is Mr Franciscus Adrianus Jacobs.
- (b) The maximum number of options which will be issued under the resolution is 7,000,000 options as specified in resolution 11.

- (c) The date by which Octanex will issue the Options will be not later than 27 December 2014 which is not later than one (1) month after the date of the Meeting.
- (d) The Options are issued free of cost as incentive options and, save for 2,00,000 of the options, contain various hurdles which must be satisfied before the options vest in the grantee or become transferable or exercisable.
- (e) No funds will be raised by the grant of the options.

Item 2: Details of Terms of Options

The Options comprise seven tranches of options, each of 1,000,000 options as set out in Resolution 11 and in the Consultancy Agreement referred to therein.

- (a) The proposed terms of grant of the options are as set out in the resolution and in the Consultancy agreement referred to therein. The terms of the options comply with the requirements of the Listing Rules generally. The terms of grant of each option includes that
 - (a) *The option entitles the holder to subscribe for one ordinary share in Octanex N L (ABN 61 005 632 315) (the Company) upon the payment of an amount of \$0.15 (15 cents).*
 - (b) *The options are not exercisable or transferable to any person other than in accordance with the terms and conditions set out in the consultancy agreement entered into between Mr Jacobs and the Company on 20 May 2014 (Consultancy Agreement).*
 - (c) *There are no participating rights or entitlements inherent in the options and holder of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option or in the payment of any dividend without having exercised the option prior to the record date to determine entitlements to any such entitlements or distributions.*
 - (d) *In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised in respect to number and exercise price as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.*
 - (e) *Where any such option shall vest in the grantee and become exercisable in accordance with the provisions of the Consultancy Agreement at any time during the period ending on or before the Expiry Date (Exercise Period) the option shall be exercised by the delivery to the registered office of the Company of a notice in writing (Notice) stating the intention of the optionholder to exercise accompanied by an Option Certificate or Holding Statement and a cheque made payable to the Company for the subscription monies for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.*
 - (f) *The Company shall allot the resultant shares and deliver a statement of shareholdings with a Holders' Identification Number within 5 business days of exercise of the options.*
 - (g) *The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.*
 - (h) *The options shall be subject to be subject to the further restrictions contained in the Consultancy Agreement and the terms of the Consultancy Agreement shall in all respects govern the rights of Mr Jacobs in relation to the terms on which each option is granted or held.*
- (b) In accordance with the provisions Listing Rules 7.1 and 7.3 the Company advises that it will disregard any votes cast on Resolution 11 on the Notice of Meeting by Mr Jacobs and any Associate of Mr Jacobs within the meaning of the Corporations Act. 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.

Note 9: Resolution 12: Proposed Grant of options David Jeffrey Steketee.

Item 1: Application of Listing Rules 7.1 and 7.3

In compliance with Listing Rules 7.1 and 7.3 the following information is provided in relation to resolution 12 on the Notice of Meeting.

- (a) The name of the grantee of the options is Mr David Jeffrey Steketee.
- (b) The maximum number of options which will be issued under the resolution is 1,750,000 options as specified in resolution 12.
- (c) The date by which Octanex will issue the options will be not later than 27 December 2014 which is not later than one (1) month after the date of the Meeting.
- (d) The options were agreed to be granted by Octanex in consideration of Sagepark Holdings Pty Ltd, as a consultant, entering into the Consultancy Agreement referred to in resolution 12 and in further consideration of Mr Steketee agreeing to provide and perform the services to be provided by Sagepark Holdings Pty Ltd under the Consultancy Agreement and in further consideration of Mr Steketee executing a deed of release in favour of Peak. Save as aforesaid the options were agreed to be granted free of cost as incentive options and, save for the 250,000 options to be granted on the passing of the resolution, contain various hurdles which must be satisfied before the options vest in the grantee or become transferable or exercisable.
- (e) No funds will be raised by the grant of the options.

Item 2: Details of Terms of options

Apart from the first 250,000 options to be granted to Mr Steketee, the options comprise a series of tranches of options, each of which is subject to performance hurdles as set out in the Consultancy Agreement referred to in resolution 12. The hurdle for the grant of the first 250,000 options was the grant of the Small Field Risk Services Contract for the Ophir oilfield which has been satisfied.

- (a) The proposed terms of grant of the options are as set out in the resolution and in the Consultancy agreement referred to therein. The terms of the options comply with the requirements of the Listing Rules generally. The terms of grant of each option include that;
- (a) *The option entitles the holder to subscribe for one ordinary share in Octanex N L (ABN 61 005 632 315) ("the Company") upon the payment of the exercise price specified in the Consultancy Agreement.*
 - (b) *The options are not exercisable or transferable to any person other than in accordance with the terms and conditions set out in the consultancy agreement entered into between Peak Oil & Gas Limited ("Peak"), Octanex, Sagepark Holdings Pty Ltd and Mr Steketee on 19 May 2014 (Consultancy Agreement).*
 - (c) *There are no participating rights or entitlements inherent in the options and holder of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option or in the payment of any dividend without having exercised the option prior to the record date to determine entitlements to any such entitlements or distributions.*
 - (d) *In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised in respect to number and exercise price as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.*
 - (e) *Where any such option shall vest in the grantee and become exercisable in accordance with the provisions of the Consultancy Agreement and these terms of grant at any time at any time during the period ending on or before the Expiry Date ("Exercise Period") the option shall be exercised by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the optionholder to exercise accompanied by an Option Certificate or Holding Statement and a cheque made payable to the Company for the subscription monies for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.*
 - (f) *The Company shall allot the resultant shares and deliver a statement of shareholdings with a Holders' Identification Number within 5 business days of exercise of the options.*
 - (g) *The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.*
 - (h) *The options shall be subject to the further restrictions contained in the Consultancy Agreement and the terms of the Consultancy Agreement shall in all respects govern the rights of Mr Durrant in relation to the terms on which each option is granted or held.*
- (b) Other terms of grant of the options are set out in the Consultancy Agreement and/or include that:
- (a) *The options, other than the first 250,000 options in respect of which the hurdle was the grant of the Small Field Risk Services Contract for the Ophir oilfield, which hurdle has been satisfied;*
 - (i) *will only vest in the grantee so as to become exercisable or transferable by the grantee if the merger between Peak and Octanex as proposed by the terms of an Implementation Agreement entered into between Peak and Octanex dated 19 May 2014 comes into effect in accordance with the Corporations Act 2001.*
 - (ii) *will lapse without compensation of any kind to the grantee if the proposed merger does not come into effect by 31 March 2015 or such other date as may be the "End Date" defined in the scheme of arrangement to be despatched in accordance with the Order of the Court convening the meeting of members of Peak to consider, and if thought fit, approve the proposed merger.*
 - (b) *Each tranche of options is to be subject to achievement of any performance hurdles set out in the Consultancy Agreement in relation to that tranche of options.*
 - (c) *875,000 of the options shall be exercisable at an exercise price of \$A0.20 (20 cents) exercisable three (3) years from the date of grant thereof (3 year Options) and 875,000 of the options shall be exercisable at an exercise price of \$A0.25 (25 cents) exercisable four (4) years from the date of grant thereof (4 Year Options)*
 - (d) *All options will be subject to such escrow restrictions, if any, as ASX may determine.*
 - (e) *It is a term of the grant of all options that Sagepark Holdings Pty Ltd as the Consultant:*
 - (i) *shall be engaged under the terms of the Consultancy Agreement to provide the services to be provided thereunder, with Mr Steketee performing those services as thereby provided until the date by which the hurdle in respect of the relevant tranche of options has been satisfied or achieved; or*
 - (ii) *that Sagepark Holdings Pty Ltd and Mr Steketee be so available to provide services to Peak or the enlarged Octanex Group subsequent to the Merger as hereby provided until the date by which the hurdle in respect of the relevant tranche of options has been satisfied or achieved.*
 - (f) *The options will be unlisted.*
- (c) In accordance with the provisions Listing Rules 7.1 and 7.3 the Company advises that it will disregard any votes cast on Resolution 12 on the Notice of Meeting by Mr Steketee and any Associate of Mr Steketee within the meaning of the Corporations Act. 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.

Note 10: Resolution 13: Proposed Grant of Options to James Michael Durrant.

Item 1: Application of Listing Rules 7.1 and 7.3

In compliance with Listing Rules 7.1 and 7.3 the following information is provided in relation to resolution 13 on the Notice of Meeting.

- (a) The name of the grantee of the options is Mr James Michael Durrant.
- (b) The maximum number of options which will be issued under the resolution is 1,750,000 options as specified in resolution 13.
- (c) The date by which Octanex will issue the options will be not later than 27 December 2014 which is not later than one (1) month after the date of the Meeting.
- (d) The options were agreed to be granted by Octanex in consideration of Pontia Pty Ltd, as a consultant, entering into the Consultancy Agreement referred to in resolution 13 and in further consideration of Mr Durrant agreeing to provide and perform the services to be provided by Pontia Pty Ltd under the Consultancy Agreement and in further consideration of Mr Durrant executing a deed of release in favour of Peak. Save as aforesaid the options were agreed to be granted free of cost as incentive options and, save for the 250,000 options to be granted on the passing of the resolution, contain various hurdles which must be satisfied before the options vest in the grantee or become transferable or exercisable.
- (e) No funds will be raised by the grant of the Options.

Item 2: Details of Terms of options

Apart from the first 250,000 options to be granted to Mr Durrant, the options comprise a series of tranches of options, each of which is subject to performance hurdles as contained in the Consultancy Agreement referred to in resolution 13. The hurdle for the grant of the first 250,000 options was the grant of the Small Field Risk Services Contract for the Ophir oilfield which has been satisfied.

- (a) The proposed terms of grant of the options are as set out in the resolution and in the Consultancy agreement referred to therein. The terms of the options comply with the requirements of the Listing Rules generally. The terms of grant of each option include that
 - (a) *The option entitles the holder to subscribe for one ordinary share in Octanex N L (ABN 61 005 632 315) (the Company) upon the payment of the exercise price specified in the Consultancy Agreement.*
 - (b) *The options are not exercisable or transferable to any person other than in accordance with the terms and conditions set out in the consultancy agreement entered into between Peak Oil & Gas Limited (Peak), Octanex, Pontia Pty Ltd and Mr Durrant on 19 May 2014 (Consultancy Agreement).*
 - (c) *There are no participating rights or entitlements inherent in the options and holder of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option or in the payment of any dividend without having exercised the option prior to the record date to determine entitlements to any such entitlements or distributions.*
 - (d) *In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised in respect to number and exercise price as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.*
 - (e) *Where any such option shall vest in the grantee and become exercisable in accordance with the provisions of the Consultancy Agreement and these terms of grant at any time during the period ending on or before the Expiry Date (Exercise Period) the option shall be exercised by the delivery to the registered office of the Company of a notice in writing (Notice) stating the intention of the optionholder to exercise accompanied by an Option Certificate or Holding Statement and a cheque made payable to the Company for the subscription monies for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.*
 - (f) *The Company shall allot the resultant shares and deliver a statement of shareholdings with a Holders' Identification Number within 5 business days of exercise of the options.*
 - (g) *The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.*
 - (h) *The options shall be subject to the further restrictions contained in the Consultancy Agreement and the terms of the Consultancy Agreement shall in all respects govern the rights of Mr Durrant in relation to the terms on which each option is granted or held.*
- (b) Other terms of grant of the options are set out in the Consultancy Agreement and/or include that:
 - (a) *The options, other than the first 250,000 options in respect of which the hurdle was the grant of the Small Field Risk Services Contract for the Ophir oilfield, which hurdle has been satisfied;*
 - (i) *will only vest in the grantee so as to become exercisable or transferable by the grantee if the merger between Peak and Octanex as proposed by the terms of an Implementation Agreement entered into between Peak and Octanex dated 19 May 2014 comes into effect in accordance with the Corporations Act 2001.*
 - (ii) *will lapse without compensation of any kind to the grantee if the proposed merger does not come into effect by 31 March 2015 or such other date as may be the "End Date" defined in the scheme of arrangement to be despatched in accordance with the Order of the Court convening the meeting of members of Peak to consider, and if thought fit, approve the proposed merger.*
 - (b) *Each tranche of options is to be subject to achievement of any performance hurdles set out in the Consultancy Agreement in relation to that tranche of options.*

- (c) 875,000 of the options shall be exercisable at an exercise price of \$A0.20 (20 cents) exercisable three (3) years from the date of grant thereof (3 year Options) and 875,000 of the options shall be exercisable at an exercise price of \$A0.25 (25 cents) exercisable four (4) years from the date of grant thereof (4 Year Options)
- (d) All options will be subject to such escrow restrictions, if any, as ASX may determine.
- (e) It is a term of the grant of all options that Pontia Pty Ltd as the Consultant:
- (i) shall be engaged under the terms of the Consultancy Agreement to provide the services to be provided thereunder, with Mr Durrant performing those services as thereby provided until the date by which the hurdle in respect of the relevant tranche of options has been satisfied or achieved; or
 - (ii) that Pontia Pty Ltd and Mr Durrant be so available to provide services to Peak or the enlarged Octanex Group subsequent to the Merger as hereby provided until the date by which the hurdle in respect of the relevant tranche of options has been satisfied or achieved.
- (f) The options will be unlisted.
- (c) In accordance with the provisions Listing Rules 7.1 and 7.3 the Company advises that it will disregard any votes cast on Resolution 13 on the Notice of Meeting by Mr Durrant and any Associate of Mr Durrant within the meaning of the Corporations Act. 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.

Note 11: Resolution 14: Remuneration of Non-executive Directors:

The Company's Constitution requires that the remuneration of Non-executive Directors may not exceed in aggregate in any financial year the amount fixed by the Company in General Meeting for that purpose. The amount currently fixed is \$150,000 per annum. The Company has three Non-executive Directors.

It is likely that with the acquisition of the Company's operations into South East Asia through OPSB and through the acquisition of Peak Oil & Gas Limited, if the proposed merger comes into effect, there will be a need to expand the current Board of Directors. This may also be necessary as a condition of any mezzanine or other financing which the Company put in place in relation to its obligations relating to the Ophir Project under the Ophir Shareholders Agreement

Taking into account the proposed grant of Options to Non-executive Directors, the current maximum level of remuneration to the existing three non-executive directors would slightly exceed the current permitted maximum.

Although the proposal is to increase the limit to \$250,000 in aggregate, there is no present plan to increase Non-executive Director's remuneration, other than by the grant of the options as proposed, so that the total increased capacity to remunerate Non-executive Directors will not be fully utilised at present but may need to be in future in order to meet market conditions.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of Octanex NL ("Octanex" or "the Company") in connection various resolutions set out on the accompanying Notice of Meeting ("Notice") convening the Annual General Meeting, including, as necessary, explanation of the rationale for specific resolutions being put to the meeting.

This Explanatory Memorandum forms part of the Notice and contains an explanation of, and information about, the proposed grant of options to each of Messrs Willis, Menzies and Coombes and Mrs Clark ("the named Directors") (or their Associates) on the terms set out in the Notice and this Explanatory Memorandum and in relation to the grant of options to employees, executives and consultants and the ratification of prior grants of options to such persons.

It also deals briefly with the reduction of capital constituted by the proposed cancellation of the Trustee Shares held by to the Trustee as proposed by resolution 14 on the Notice of Meeting.

The Directors recommend members read the Notice and this Explanatory Memorandum in full before making any decision in relation to the resolutions discussed herein.

The Notice of Meeting adequately deals with the first 5 items of business on the notice of meeting without need for further explanation.

RESOLUTIONS 5, 6, 7 and 8: PROPOSED GRANT OF OPTIONS TO NAMED DIRECTORS

Resolutions 5 to 8 (both inclusive) deal with the proposed grant of options to each of Messrs Willis, Menzies and Coombes and Mrs Clark ("the named Directors") (or their Associates) at the Annual General Meeting.

These resolutions each provide for the grant of options to the named Director specified in the resolution.

These resolutions, if passed, will approve the grant of a total of 2,500,000 options to them on the terms set out herein. The options proposed to be issued to the named Directors will be subject to the restrictions set out below.

All options to be granted to those Directors under the resolutions will, if approved for grant, be granted to them by not later than 27 December 2014, being not more than one (1) month from the date of the meeting.

The grant of options is partly proposed as a reward to the named Directors for their efforts over recent times which have involved significant time and effort. The intention of the proposed grant is to continue to provide those named Directors with a level of incentive to continue to strive to achieve value for the benefit of the Company.

In determining how to vote on these matters, you should note the aggregate remuneration received by the named Directors as Director's remuneration (including superannuation) in the financial year ended 30 June 2014 was \$98,325 as extracted from the Remuneration Report. Many listed companies pay directors fees to non-executive directors which significantly exceed these amounts. To this extent the grant of options is a non-cash compensation for payment of modest directors' remuneration.

<i>Name of Director</i>	<i>Directors Fees</i> \$	<i>Super-annuation</i> \$	<i>Retirement Benefits</i> \$	<i>Options</i> \$	<i>Total</i> \$
DC Coombes	32,775	-	-	-	32,775
JMD Willis	32,775	-	-	-	32,775
GA Menzies	30,000	2,775	-	-	32,775
TOTAL	95,550	2,775	0	0	98,325

It should be noted that Ms Clark was appointed as a director on 17 October 2014.

The options provide a contingent non-monetary form of compensation to the named Directors at low cost to Octanex.

The options proposed to be granted to the named Directors have been valued based on current share prices using Black Scholes binomial model. That valuation has determined a value of \$0.0297 for each option. This gives a value of \$14,850 for each parcel of 500,000 options to be issued to of Mr Willis, Mr Menzies and Mr Coombes and a value of \$29,700 for the 1,000,000 options to be granted to Mrs Clark.

Separate from director's remuneration various director related entities received payment for services provided on normal commercial terms and conditions as set out in note 18 to the Annual Financial Statements. These payments were however, not for their involvement and responsibility as Directors of Octanex, but were for other services and are not relevant to consideration of the issues surrounding payment of Director's fees.

In addition, each named Director holds existing securities in the capital of the Company as follows.

<i>Name of Director</i>	<i>No. of Fully Paid Shares held</i>	<i>No. of Partly Paid Shares held</i>	<i>No. of Options held</i>
R. Clark	nil	Nil	2,000,000 options*
DC Coombes**	165,000	41,500	nil
JMD Willis**	2,398,130	1,198,752	nil
GA Menzies**	19,522	500,000	nil

* exercisable at \$0.1534 (14.34 cents up to 15 October 2018)

** The 500,000 30 June 2015 Options granted as share based payments (exercisable at 32 cents) shown in the Remuneration Report in the Annual Report as held by each of these directors have all been surrendered for no consideration.

Requirement for a focussed Board and Management Team

In order to achieve Octanex's objectives, it is important to maintain a tight, cohesive and competent structure with a Board focussed on creating value and management focussed on implementing Board decisions. The grant of options to the named Directors, and the separate grant of options to management, is part of the manner in which that focus and implementation can be achieved and maintained.

The Company has also agreed to grant a further 3,100,000 options in aggregate on the same terms to the members of the Octanex management team. The grantees include Mr Robert Wright (Chief Financial Officer and Joint Company Secretary), Mr John G Tuohy (joint Company Secretary) and other staff involved in the Company's operations generally. The grant of those options is within the control of the Board and does not need shareholder approval. Only the Options to be granted to the named Directors require shareholder approval.

Without a tight, cohesive and competent and focussed Board and a focussed management team, the prospect of commercial success for the benefit of shareholders generally is reduced significantly.

The Board asks members to consider and take into account a number of important factors when deciding how to vote on the resolutions being put to the meeting. These include that:

1. The incentive that the grant of these options to the named Directors will mean they will identify more closely with members in the need to increase shareholder value, as the options directly enable those named Directors to participate alongside members in the increase in shareholder value that they will, in large part, be responsible in creating. Essentially, to the extent that those named Directors create shareholder wealth by their actions, the grant of these options allows them to participate in the fruits of that wealth creation.
2. The terms of the options provide that the options are, generally, not transferable. For the holder to realise value, he must exercise them, providing additional working capital to the Company.
3. The total percentage of the capital of Octanex over which options are proposed to be granted to the named Directors and management is not high, as a percentage of the capital of Octanex. Octanex has on issue a total of 259,262,308 shares. With the cancellation of the 33,000,000 Trustee Shares this will reduce to 226,262,308.
4. The total number of options to be approved to be granted to the named Directors (or their Associates) is 2,500,000 options, which is approximately 1.1% one percent of the capital of Octanex as it will exist subsequent to the cancellation of the Trustee Shares. By contrast the percentage of the capital of many companies which is under option to directors as incentives or remuneration is often in excess of five percent of the relevant company's capital.
5. The ascribed value of the options is not significant and, when aggregated to each of the named Director's present remuneration, does not increase that remuneration beyond the remuneration many other listed public companies pay their directors. Members might consider that the minimal dilution of their interests by approximately 1.1 percent, if the options are exercised at a price which is above the current share price, is not material when contrasted with the potential upside in value that a dedicated, cohesive and focussed Board might help create for them.

Option Valuation

The valuation of the options as at 22 October 2014 using a binomial model shows a value per option of \$0.0297 per option, based on the following assumptions:

- the current share price of \$0.09 (9 cents);
- an exercise price of \$0.1534 (15.34 cents);
- the options being granted on 28 November 2014 and expiring on 15 October 2018;
- a risk free rate of 2.51% for Commonwealth Treasury Bond yields with a maturity approximating the expiry date of the options.
- a volatility factor of 68% calculated by reference to the average volatility of various other relevant companies.

Any option valuation is a theoretical valuation.

Members should understand that the price of the shares in the Company has changed and will change from the current price and that, by the Meeting, the market value of the shares and thus the deemed value of the options (using either a binomial method of valuation or a Black Scholes method of valuation) will inevitably differ from the value shown here.

Recent market prices of Octanex shares on ASX

In considering the terms the resolutions, members should note the recent trading history of shares in the Company detailed below.

The last sale price on ASX prior to the date of the Notice of Meeting which this explanatory memorandum accompanies was 9 cents on 16 October 2014. The volume weighted average share price ("VWAP") for the period from Octanex releasing its Annual Report on 30 September 2014 to 21 October 2014 was \$0.0953. The VWAP (based on closing daily prices) for Octanex fully paid shares for a range of recent periods ending 21 October 2014 is set out below:

VWAP Period	VWAP	Volume	Value Traded \$
7 Day	\$ 0.0936	210,000	19,650
30 Day	\$ 0.0954	341,526	32,570
60 Day	\$ 0.1015	727,854	73,877
90 Day	\$ 0.1111	1,150,726	127,805

During the 90-day period to 21 October 2014, the shares traded in a range of \$0.09 to \$0.135 per share.

Related Party Requirements of Chapter 2E of the Corporations Act 2001

The requirements of Section 219 of the Act as set out in Chapter 2E thereof require that certain information must be provided to members to enable them to vote in relation to each of the resolutions to be put to the meeting.

Each Director named in the resolution proposing the grant of options to that Director has an interest in the outcome of that resolution. The nature of the financial benefit which may be obtained by each of the named Directors as related parties of the Company is that those Directors (or their nominees) will be granted the options which have values as summarised above.

However, it is important for members to recognise that for the value in the related party benefit constituted by the grant of the options to be realisable by the optionholder, that the options must be exercised as they are, generally, not transferable.

To this extent, while the options may have value, that value can be considered to be of a different quality and nature from a cash or money payment or an entitlement thereto which can be realised and taken by an employee. It also differs from the value reflected in the grant of shares or options which have no restrictions and which can be disposed of and also be readily converted into money by the employee.

The value inherent in the options cannot be converted into money or money's worth in the hands of the grantees of the options unless they exercise the options and to do that they must pay the Company the exercise price of the options exercised.

No assurance can be given as to the future performance of the Company or as to future share prices and therefore, because of the restrictions, it is not possible to quantify what the ultimate benefit to the Directors will be on exercise, if exercised. That amount may well exceed the theoretical value placed on the options or be significantly less than that amount.

The making of any profit from the exercise of the options in the present circumstances is purely hypothetical although the benefit which is granted gives the potential opportunity for that to occur.

The valuation of the options is an assessment of the likely value inherent in the options on exercise.

Further, members should realise that an option valuation measures the value of the option in question based on a volatility factor. In this case the volatility factor determined as applicable was a volatility factor of 68% calculated by reference to a group of 11 companies considered to be comparable to the Company. The valuation takes into account movements in the share price of that magnitude as part of the value calculation. What is not stated, but should be realised, is that the volatility of a share can result in the share price decreasing because of that volatility and the factors causing it, as opposed to increasing.

To the extent that the share price might decrease, rather than increase, the value inherent in the options, and which can only be realised on exercise, will also decrease. There are many instances where options which are granted to directors or management are not exercised because of adverse changes in the share price.

As stated, on exercise, the value created in the optionholder will not necessarily equate to the option valuation. It will be a reflection of the difference between the share price at the date of exercise and the exercise price and, although that may differ from the option valuation and that value will not crystallise to be of benefit to the optionholder until and unless the options are exercised.

Members should be aware that the acquisition by any person of options does not change voting power. That voting power will only change in accordance with changes in the relevant interests in shareholdings of any member or of those of his associates.

Director's recommendations

The Corporations Act requires in Section 219, inter alia, that, in relation to each director of the company, it must be set out herein:

- (a) if the director wanted to make a recommendation to members about the proposed resolution—the recommendation and his or her reasons for it; or
- (b) if not—why not; or
- (c) if the director was not available to consider the proposed resolution—why not.

Accordingly the following information is provided. Insofar as each resolution relating to the issue of options to the specific Director named in the resolution is concerned, that Director in each case refrains from making any recommendation on the outcome of that resolution because that Director is interested in the outcome of the resolution.

Mr Albers, who is not being granted any options under any of the resolutions, is qualified to make a recommendation and he recommends to members that they vote in favour of each of the resolutions proposing the grant of options to the named Directors.

Mr Albers makes this recommendation because he recognises that Octanex requires that the Board and management are focussed as a cohesive team on value creation and that it is in the interests of all members of Octanex that all directors have incentives to create value for all members in which they themselves have the capacity to potentially benefit. Mr Albers notes that the exercise price of the options is above the value of a fully paid share in Octanex (approximately \$0.09 as at 16 October 2014 based on the VWAP referred to above) and that, for the options to have any significant value to the named Directors, the price for Octanex fully paid shares as reflected by trading on ASX must exceed the exercise price of \$0.1534 (15.34 cents).

Notwithstanding the above, and that Mr Albers and his Associates intend to vote in favour of the grant of such options to each such Director, all of the directors believe that the members should consider the matters set out herein when deciding how to vote on each of the resolutions.

ADDITIONAL INFORMATION

The directors are not aware of any other information that:

- (a) is reasonably required by members in order to decide whether or not it is in the Company's interests to pass each of the proposed resolution; and,
- (b) is known to the Company or to any of its directors;
- that has not previously been disclosed either direct to members or generally to the market in accordance with the Company's continuing disclosure obligations under the Listing Rules of ASX.

RESOLUTION 9: GRANT OF OPTIONS TO NAMED EMPLOYEES, EXECUTIVES AND CONSULTANTS.

Under this resolution various employees, executives and consultants will be granted options on the same terms and conditions as those proposed to the named directors.

Approval for the grant of these options is being sought for the purposes of Listing Rule 7.1 so as to assist to maintain the Company's 15% placement capacity. The same valuation parameters apply to the grant of these options as apply to those proposed to be granted to the named Directors. The aggregate value of these options on that basis, using the valuation model and assumptions gives these options an aggregate value of \$92,070, to be spread between the grantees according to the number of such options granted.

Each of the Directors recommends that each member votes in favour of resolution 8 and the grant of such options to such persons. Each Director intends to vote in favour of the resolution.

RESOLUTION 10: RATIFICATION OF GRANT OF NOW CANCELLED OPTIONS TO NAMED EMPLOYEES, EXECUTIVES AND CONSULTANTS.

Under this resolution various employees, executives and consultants were granted options on the terms set out in Item 1 (e) of Note 7 on the Notice. These options have now been cancelled. Ratification of the prior grant of the options is merely being sought for the purposes of Listing Rule 7.1 so as to assist to maintain the Company's 15% placement capacity.

RESOLUTION 11: APPROVAL FOR GRANT OF OPTIONS TO FRANCISCUS ADRIANUS JACOBS

Mr Jacobs is a consultant to Octanex and has been integrally involved in the Company becoming involved in the Ophir Project described in the Company's Annual report.

Mr Jacobs has been seconded to OPSB and is General Manager of the Ophir Project.

Apart from the first 2,000,000 options, the remaining 5,000,000 options are subject to hurdles directly related to the success of the Ophir Project and are focussed on achievement of First Oil within 18 months from the grant of the RSC on 11 June 2014 and the levels of production which may be achieved from the Ophir Field within specific periods from the date on which First Oil is produced.

The resolution seeking prior approval of grant is being put to members for approval for the purposes of Listing Rule 7.1 only so as to assist to maintain the Company's 15% placement capacity.

The Directors recommend that all members vote in favour of the resolution to ratify the grant of the Options. Each director intends to vote in favour of the resolution.

RESOLUTION 12 and 13: APPROVAL FOR GRANT OF OPTIONS TO DAVID JEFFREY STEKETEE AND JAMES WILLIAM DURRANT

Each of Messrs Steketee and Durrant has provided assistance to OPSB in relation to the Ophir Project and it is proposed that each of them be granted 250,000 options for that assistance. 125,000 of the options granted to them will be 3 Year Options as referred to in the Resolutions and the other 125,000 of the 250,000 options will be 4 Year Options as so defined.

The 250,000 options referred to above form part of a series of tranches of Options which are proposed to be granted to each of Messrs Steketee and Durrant. The terms of grant are described in Note 9 and 10 on the Notice and in resolutions 12 and 13.

The remaining 1,500,000 proposed to be approved for grant to each of Messrs Steketee and Durrant will not be granted unless the proposed Scheme of Arrangement under which Peak Members will exchange their Peak Shares for New Octanex Shares, as previously announced, becomes effective under the Corporations Act. At that time the options would be proposed to be granted. At that time Peak would be a wholly owned subsidiary of Octanex.

Under the Consultancy Agreements referred to in resolutions 12 and 13, the grant of the options will be subject to hurdles aimed at achieving value for Peak and indirectly the Peak Scheme Members who become members of Octanex as a result of the proposed merger and indirectly for Octanex and its shareholders generally.

Again, the resolutions seeking prior approval of grant are being put to members for approval for the purposes of Listing Rule 7.1 only so as to assist to maintain the Company's 15% placement capacity.

The Directors recommend that all members vote in favour of the resolution to ratify the grant of the Options. Each director intends to vote in favour of the resolution.

RESOLUTION 15: REDUCTION OF CAPITAL: CANCELLATION OF TRUSTEE SHARES FOR NO CONSIDERATION

Resolution 15 on the Notice proposes a cancellation of all the shares in the capital of Octanex (**Trustee Shares**) held by Doravale Enterprises Pty Ltd (**the Trustee**). The Trustee Shares were issued to the Trustee pursuant to the scheme of arrangement as previously disclosed to all members. No consideration will be payable to the Trustee or any other person on the cancellation of the Trustee Shares. While the Trustee Shares have been issued and allotted to the Trustee, no moneys have been paid up on any of them.

The resolution is being put to members to simplify Octanex's capital structure. The Trustee Stock Scheme mechanism is not well understood in the market and, in the current regulatory environment surrounding rights issues and capacity to place shares, is considered by the Directors as unnecessary for Octanex to maintain.

Requirement for selective reductions of capital under Corporations Act

The resolution to cancel the Trustee Shares is a selective reduction of capital and is a special resolution that must be approved by shareholders with not less than 75% of the total votes cast on the resolution being cast in favour of the resolution.

The Corporations Act requires that in any selective reduction of capital the reduction must be *fair and reasonable to the company's shareholders as a whole*. The Court has held that, where it is considering a selective reduction of capital, *"the Court must be positively satisfied, in the event of challenge, that "the reduction" — not the consideration — is "fair and reasonable to the company's shareholders as a whole", with the onus on the company doing the reduction, though members' commercial judgment on that is certainly not irrelevant."*

A selective reduction of Capital requires that the reduction of capital resolution be passed as a special resolution at:

- a general meeting of all members at which the members whose shares are being cancelled are not allowed to vote on the resolution to cancel the shares held by them.
- A class meeting, at which only the members whose shares are being cancelled are allowed to vote on the resolution to cancel their shares.

The Corporations Act thus requires both groups of members to approve any selective cancellation of shares and requires the splitting of that approval process so that both groups of members must give approval. This prevents any dominant member controlling the cancellation of shares process. This enables the *"commercial judgment"* of each group of members to be given effect to. In the present case there are no commercial issues of any significance as the Trustee Shares are proposed to be cancelled without any consideration being paid in relation to their cancellation.

The cancellation will mean that the prospective capital raising mechanism which it constitutes ceases to be available. The only other outcome will be that the number of shares on issue reduces by the 33,000,000 Trustee Shares cancelled. Save for those consequences the cancellation of the Trustee Shares will not affect Octanex or its shareholders in any way.

The cancellation of the Trustee Shares will not affect the number of shares held by you nor will it affect the voting power attaching to your shares as a percentage of the voting power attaching to all of the shares on issue in Octanex. This is because no moneys have been paid up on the Trustee Shares which would entitle those Trustee Shares to carry any voting rights.

The cancellation of the Trustee Shares will have no effect of any kind on the control of Octanex.

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