



1 July 2014

ORPHEUS SELLS NON-PERFORMING PROJECTS FOR \$US8.2 MILLION

Key Points:

- **Papua, B34, Citra Bara Prima ('CBP') and Alam Duta Kalimantan ('ADK') projects sold back to Mr Nugroho Suksmanto and PT Mega Coal companies for total US\$8.2m**
- **Sale proceeds will represent an overall profit to Orpheus of ~US\$3.9 million, with US\$350,000 in initial deposits already received**
- **Funds will significantly strengthen Orpheus's balance sheet and facilitate future growth opportunities for the company**

Orpheus Energy Limited (ASX: OEG) is pleased to announce that it has executed sales agreements subject to shareholder approval for the sale of its interests in the Indonesian projects including Papua, B34, CBP, and ADK, for a total consideration of US\$8.2 million. The completion of the sale of the above assets and as described below will be a disposal of the Company's main undertaking within the meaning of ASX Listing Rule 11.2 and is therefore subject to the approval of Orpheus shareholders.

As outlined in the Company's March Quarterly Report, Orpheus has continued to work with its Joint Venture ('JV') partner, Mr Suksmanto and PT Mega Coal, to deliver value for shareholders via the sale of non-core and non-performing assets.

The original JV Agreements Orpheus Energy entered into with Mr Suksmanto and PT Mega Coal since 2011 for each project, specifically provided for the potential repayment of funds expended by Orpheus in acquiring and developing those projects introduced by Mr Suksmanto and PT Mega Coal. At the time, Orpheus Directors deemed it prudent to negotiate such provisions to protect shareholders' interests should the projects not turn out to be of sufficient quality to proceed in a profitable manner. As it has transpired, none of the aforementioned projects have performed in a manner that gives Orpheus Directors confidence to proceed further, and accordingly, Mr Suksmanto and PT Mega Coal have honoured the original JV agreements and agreed to the sale back of these assets.

Further, while US\$350,000 has already been received by Orpheus in initial deposits, there have been delays in the receipt of further milestone deposits per the sales agreements, so the Orpheus Board determined it sensible to extract a personal legal undertaking from Mr

Suksmanto, prior to announcing the details of the assets sales. Through the personal undertaking, Mr Suksmanto personally commits to settle all outstanding debts by PT Mega Coal and related parties, and to indemnify Orpheus and related parties against cost, loss or liability, suffered by Orpheus or related parties in the case of a breach of the project sales agreements.

The details for each asset sale are detailed below:

Papua (OEG 51%; Nugroho Suksmanto, PT Mega Coal and related parties 49%)

In November 2011, Orpheus paid AUD\$2,000,000 to acquire four prospective coal tenements in the Papua province. Orpheus has now executed an agreement with Mr Suksmanto, PT Mega Coal, and related parties to pay Orpheus US\$2,000,000 for two of the tenements, leaving Orpheus with 51% equity in the remaining two tenements. This amount represents a ~US\$1,000,000 profit margin to Orpheus on the acquisition costs of the project, paid by Orpheus.

B34 (OEG 51%; Nugroho Suksmanto, PT Mega Coal and related parties 49%)

In September 2011, Orpheus paid AUD\$2,200,000 to acquire two prospective coal tenements, Block 3 and Block 4, in East Kalimantan. Orpheus has now executed an agreement with Mr Suksmanto, PT Mega Coal, and related parties to pay Orpheus US\$2,200,000. An initial deposit of US\$200,000 has already been received and the balance is to be paid in monthly instalments of a minimum of US\$100,000 per month until the balance has been paid.

CBP (OEG 51%; Nugroho Suksmanto, PT Mega Coal and related parties 49%)

In August 2012, Orpheus paid AUD\$200,000 to acquire CBP in South Kalimantan. Orpheus has now executed an agreement with Mr Suksmanto, PT Mega Coal, and related parties to pay Orpheus US\$1,000,000. This amount represents a US\$800,000 profit margin to Orpheus on the acquisition cost of the project, paid by Orpheus.

ADK (OEG 51%; Nugroho Suksmanto, PT Mega Coal and related parties 49%)

Since February 2012, Orpheus has paid US\$1,000,000 to acquire its 51% equity in the ADK mine in South Kalimantan. Orpheus has now executed an agreement with Mr Suksmanto, PT Mega Coal, and related parties to pay Orpheus US\$3,000,000. An initial deposit of US\$150,000 has already been received and the balance is to be paid in monthly instalments of US\$400,000 per month through coal sales, until the balance has been paid. This amount represents a US\$2,000,000 profit margin to Orpheus on the acquisition and development costs of the project, paid by Orpheus.

The sale proceeds will significantly strengthen Orpheus's balance sheet as it re-calibrates the company's activities, as outlined in the March Quarterly Activities Report. The US\$3.9 million profit on the sale of assets will be an immediate improvement in net profit with the disposal of a loss making entity contributing further to future profitability.

Orpheus continues to undertake due diligence on a number of geographically and geologically diverse, potential near-term cash-flow projects. The company will keep shareholders updated as new growth projects are finalised.

Timetable and Shareholder Approval

Orpheus anticipates holding a general meeting in early August to obtain Shareholder approval for the proposed transactions.

For further information, please contact:

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Cautionary Note: This release may contain forward-looking statements that are based upon management's expectations and beliefs in regards to future events. These statements are subjected to risk and uncertainties that might be out of control of Orpheus Energy Limited and may cause actual results to differ from the release. Orpheus Energy Limited takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release.