



10 July 2014

Dear Fellow Shareholder

SALE OF INDONESIAN MINING AND EXPLORATION ASSETS

On 1 July 2014, Orpheus Energy Limited Ltd (**OEG**) announced it had signed agreements with Mr Nugroho Suksmanto, PT Mega Coal and related parties regarding the sale of Indonesian assets for total proceeds of approximately US\$8.2million to be effected by the sale of OEG's 51% equity in six entities, namely PT Daya Mega Citra and PT Daya Mega Pelita (Papua tenements), Pt Pelita Dian Petangi (B3), PT Pelita Kharisma Kenanga (B4) PT Alam Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP) (the **Transaction**).

It is a requirement under the ASX Listing Rules 11.2 that OEG seek Shareholder approval by ordinary resolution for the Transaction and the Company is now seeking such approval from Shareholders at a General Meeting to be held at 1:00pm AEST on Thursday 14 August 2014.

Completion of the Transaction will deliver a number of key benefits to OEG Shareholders including:

- (a) Completion of the Transaction will result in a significant cash return to Orpheus of approximately US\$8.2 million with a total profit of approximately US\$ 3.9 million.
- (b) Sale of non-performing assets will allow the Company to consider alternative asset acquisition that the Directors' believe will add value to shareholders.

US\$350,000 has already been received by Orpheus in initial deposits on the transaction, however 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 Nugroho 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.

For the reasons outlined above and explained in more detail in the attached Explanatory Statement, **the Directors of OEG unanimously recommend that Shareholders vote in favour of the Sale Resolution (the Transaction)**. Each director of OEG will vote (or procure the voting) of all shares held or controlled by him in favour of the Sale Resolution.

The Transaction represents a significant opportunity for the Company and all Shareholders are encouraged to vote in person at the shareholders meeting or by submitting a proxy voting form. Shareholders voting by proxy must have their proxy forms submitted and received by the Company by no later than 1pm AEST on Tuesday 12 August 2014.

This is an important document and I encourage you to read it in its entirety and, if required, obtain advice from your broker, financial adviser or other professional adviser.

Yours Sincerely

Wayne Mitchell
Executive Chairman

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Ph: +61 2 8281 8200 Fax: +61 2 9264 9530
Email: info@orpheusenergy.com.au
www.orpheusenergy.com.au



ORPHEUS
ENERGY

ORPHEUS ENERGY LIMITED
(ACN 121 257 412)

EXPLANATORY MEMORANDUM

Incorporating Notice of General Meeting and Proxy Form

GENERAL MEETING

to be held on

Thursday 14 August 2014 at 1:00 pm AEST

at

Boardroom of Orpheus Energy Limited
Level 12, 179 Elizabeth Street
Sydney
New South Wales 2000
Australia

This Explanatory Memorandum is dated 10 July 2014.

This is an important document. If you are in any doubt as to how to act you should consult your financial or legal adviser.



NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the General Meeting ("GM") of Orpheus Energy Limited ("OEG or the Company") will be held in the Boardroom of Orpheus Energy Limited, Level 12, 179 Elizabeth Street, Sydney, New South Wales 2000 Australia at 1:00 pm AEST on Thursday 14 August 2014.

The Explanatory Memorandum that accompanies and forms part of this Notice of GM describes the resolution to be considered at the Meeting. A Proxy Form also accompanies the Notice of Meeting

AGENDA – Ordinary Business

Resolution 1 Approval of the sale of Indonesian assets under the terms of the agreements signed with Mr Nugroho Suksmanto, PT Mega Coal and related parties

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

"That, for the purposes of ASX Listing Rule 11.2, and for all other purposes, the Company approves the Sales Agreements as described in the attached Explanatory Statement and, under the terms of those Agreements, approves the sale of equity in PT Alam Duta Kalimantan (ADK), PT Citra Bara Prima (CBP), Pt Pelita Dian Petangi (B3), PT Pelita Kharisma Kenanga (B4), and Papua tenements PT Daya Mega Citra and PT Daya Mega Pelita

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 1 by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company need not disregard a vote if:

- (i) a person described above as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) 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.

PROXIES

A member entitled to attend and vote at the General Meeting may appoint a proxy and, if entitled to cast two or more votes is entitled to appoint two proxies in which case each proxy may be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member of the Company and a member may appoint an individual or a body corporate to act as its proxy.

Unless instructed to the contrary, the Chairman of the meeting intends to vote proxies in favour of the resolution at the meeting.

For an appointment of a proxy to be effective, Proxy Forms and, if applicable, the powers of attorney (or a certified copy of the powers of attorney) under which they are signed must be lodged at the Company's share registry, Boardroom Pty Limited:

Post: GPO Box 3993 Sydney NSW 2000
Facsimile: +61 2 9290 9655 OR
Online: www.boardroomlimited.com.au/vote/orpheusgm2014

at least 48 hours before the appointed time of the meeting.

A Proxy Form is provided with this notice. Please read the instructions on the Proxy Form.

If you are entitled to vote and wish to appoint a proxy, you should be aware that your proxy's vote on your behalf will be valid only if you direct your proxy how to vote on the proxy Form and the proxy does vote as directed.

It has been determined that under the Corporations Regulations 7.11.37, for the purposes of the general meeting, shares will be taken to be held by the persons who are the registered holders at 7:00pm on Tuesday 12 August 2014. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'D. Smith', with a horizontal line underneath.

David Smith
Company Secretary
Dated: 10 July 2014

ORPHEUS ENERGY LIMITED
(ACN 121 257 412)

EXPLANATORY MEMORANDUM

INTRODUCTION

This Explanatory Memorandum accompanies and forms part of the Notice of General Meeting ("AGM") of Orpheus Energy Limited ("the Company" or "OEG") in connection with the business to be considered at a General Meeting of members of the Company to be held at 1:00 pm AEST on Thursday 14 August 2014. The Explanatory Statement is provided to assist the members in the consideration of the proposed ordinary resolution contained in the Notice of Meeting and forms part of this Notice of Meeting.

The directors ("the Directors") of the Company recommend that shareholders read this Explanatory Memorandum before making any decisions in relation to the Resolution.

Shareholders should note that all Directors approved the proposal to put the Resolution to shareholders as outlined in the Notice of GM and the preparation of this Explanatory Memorandum.

1. Resolution 1 Approval of the sale of Indonesian assets under the terms of the agreements signed with Mr N. Suksmanto, PT Mega Coal and related parties

The Board unanimously recommends that members vote in favour of this Resolution.

1.1 Overview of the Transaction

On 1 July 2014 Orpheus announced 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:

PT Daya Mega Citra and PT Daya Mega Pelita (Papua tenements) (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.

Pt Pelita Dian Petangi (B3) and PT Pelita Kharisma Kenanga (B4) (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.

PT Citra Bara Prima (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.

PT Alam Duta Kalimantan (ADK), 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.

1.2 Reasons for the Directors unanimously recommending the Transaction

- (a) Completion of the Transaction will result in a significant cash return to Orpheus of approximately US\$8.2 million
- (b) Sale of non-performing assets will allow the Company to consider alternative asset acquisition that the Directors' believe will add value to shareholders.

1.3 Regulatory and ASX Restraints

The transaction constitutes a disposal of Orpheus's main undertaking and that for the purposes of ASX Listing Rule 11.2 the Transaction must be approved by Shareholders. Approval of Shareholders to Resolution 1 will meet this requirement.

1.4 Directors' interests and recommendations

The Directors do not have any material interest in the outcome of the Resolution other than as a result of their interest arising solely in the capacity as security holders.

For the reasons set out in this Explanatory Statement the Orpheus Directors believe that the Transaction is in the best interests of the Company and all Shareholders and recommend that Shareholders vote in favour of Resolution 1.

1.4 Future activities and direction on completion of the proposal

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.

1.5 Pro-Forma Balance Sheets

Pro-Forma balance sheets are set out in Schedule 2 to demonstrate the financials position of the Company post the completion of the Transaction.

The audited balance sheet of 31 December 2013 has been adjusted for the effect of the Transaction as if it occurred on that date.

Schedule 1 – Definitions

In this Notice and the Explanatory Memorandum:

\$ means Australian Dollars.

US\$ means US dollar

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect of the financial year ended 30 June 2013.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Auditor's Report means the auditor's report on the Financial Report.

Board means the Board of Directors.

Business Day means:

- (a) For determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and
- (b) For any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney.

Chair or Chairman means the person appointed to chair the Meeting convened by this Notice.

Company means Orpheus Energy Limited (ACN 121 257 412).

Corporations Act means the *Corporations Act 2001 (Cth)*.

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum attached to this Notice.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

Listing Rules means the listing rules of ASX.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means this notice of meeting.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

SCHEDULE 2

	Consolidated	
	31-Dec-13	31-Dec-13
	Audited	Un-audited Pro- Forma Completion of Disposal
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents *	936,550	9,770,195
Trade and other receivables	1,249,921	855,541
Inventories	40,130	-
TOTAL CURRENT ASSETS	2,226,601	10,625,736
NON-CURRENT ASSETS		
Deposits paid	4,200,000	-
Exploration and evaluation expenditure	3,642,286	3,152,413
Property, plant and equipment	1,880,604	101,982
Security deposits and bonds	84,090	84,090
TOTAL NON-CURRENT ASSETS	9,806,980	3,338,485
TOTAL ASSETS	12,033,581	13,964,221
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	501,967	408,083
Current tax liabilities	57,570	-
Employee provisions	58,694	58,694
Borrowings	1,189,995	1,189,995
TOTAL CURRENT LIABILITIES	1,808,226	1,656,772
TOTAL LIABILITIES	1,808,226	1,656,772
NET ASSETS	10,225,355	12,307,449
EQUITY		
Issued capital	30,695,699	30,695,699
Reserves	1,021,532	836,885
Accumulated losses	(22,663,184)	(19,225,135)
Parent entity interest	9,054,047	12,307,449
Non-controlling interests	1,171,308	-
TOTAL EQUITY	10,225,355	12,307,449

* The pro-forma balance sheet with the effect of the Transaction includes the total cash receivable from the Transaction whereas the asset sales agreements provide for the sale proceeds to be paid by the sellers over a period of time by milestone payments as outlined in the Explanatory Memorandum.



All Correspondence to:

 **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

 **By Fax:** +61 2 9290 9655

 **Online:** www.boardroomlimited.com.au

 **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

DPID

<Address 1>

<Address 2>

<Address 3>

<Address 4>

<Address 5>

<Address 6>

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 1:00pm AEST on Tuesday 12 August 2014.**

TO VOTE ONLINE

STEP 1: VISIT www.boardroomlimited.com.au/vote/orpheusgm2014

STEP 2: Enter your holding/investment type:

STEP 3: Enter your Reference Number:

STEP 4: Enter your Voting Access Code:

PLEASE NOTE: For security reasons it is important you keep the above information confidential.

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form must be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **1:00pm AEST on Tuesday 12 August 2014**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

 **Online** www.boardroomlimited.com.au/vote/orpheusgm2014

 **By Fax** +61 2 9290 9655

 **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

 **In Person** Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Orpheus Energy Limited

ACN 121 257 412

< Holder ID >

<Holder ID>

<Address 1>

<Address 2>

<Address 3>

<Address 4>

<Address 5>

<Address 6>

☐**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

PROXY FORM**STEP 1 APPOINT A PROXY**

I/We being a member/s of Orpheus Energy Limited and entitled to attend and vote hereby appoint

☐

Appoint the Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting as my/our proxy at the Annual General Meeting of Orpheus Energy Limited to be held at the Boardroom of Orpheus Energy Limited, Level 12, 179 Elizabeth Street, Sydney NSW 2000 on Thursday 14 August 2014 at 1:00 pm AEST and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chairman of the Meeting intends to vote undirected proxies in favour of the resolution.

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

Resolution 1 To approve the sale of Indonesian assets under the terms of the agreements with PT Mega Coal and Mr N. Suksanto

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2014