



17 May 2011

Dear fellow Orion Shareholder,

Eastern Star Gas Limited (ESG), holder of 22.3% of the ordinary shares in Orion Petroleum Limited (Orion), has requisitioned an Extraordinary General Meeting (EGM) of Orion shareholders to consider resolutions to appoint Russell Langusch, Andrew Bursill and Alex Sundich as Directors of the Company and to replace Chairman & CEO Robert Willcocks and Non-Executive Director Dennis Morton.

Urgent action required to maintain Orion Shareholder Value

ESG is pursuing this action because it is concerned that the arrangements with Energetica Resources Pty Ltd (Energetica) announced on 29 March 2011 have been hastily entered into, are high risk and dilutive to the existing shareholders of Orion. The pursuit of these arrangements undermines our confidence in the Orion Board's ability to satisfactorily steer the company. ESG does not believe continued stewardship of Orion by the current Board is in the best interests of Orion's shareholders.

Energetica Proposal

Orion has entered into a Memorandum of Understanding (MOU) with Energetica wherein it would seem Orion will acquire some of Energetica's assets in return for issuing shares in Orion to Energetica. The recent Chairman's letter now suggests there will be a merger of the companies. Putting that aside at this time, no considered or robust valuation has been announced and made available and as a result the number of shares to be issued to Energetica as consideration for the assets is not known. This is not a satisfactory situation, leaving Orion shareholders with no knowledge as to the extent to which they will be diluted by the Proposal.

According to the Chairman of Orion *"this opportunity arose in the two weeks since the resignation of Orion's previous Managing Director and the Board has only a general familiarity with these assets and the areas in which they are located"*. ESG is concerned that the MOU has been entered into with undue haste, given the unfamiliarity Orion has with the assets and the apparent lack of agreement on even a broad valuation range. It was done almost immediately following the resignation of Mr Langusch, a respected industry professional. Mr Willcocks does not have relevant technical qualifications in this matter.

ESG's assessment of the Energetica proposal based on publically available information is that shareholders are being asked to expend a large portion of Orion's \$6 million cash and high quality, certified resources (recoverable contingent resource of 244 PJ and certified recoverable prospective resource of 1079 PJ), earned through expenditure of hard dollars. In the last three years over \$5 million has been spent on exploration of Orion's joint venture tenements PELs 6, 427 and 428. More upside is expected in these tenements, and confidence of this further potential stems from the demonstrated exploration activity to date.



In return, Orion's shareholders will receive Energetica's tenements, which have no established resource and minimal evidence of reserve upside earned through spending exploration dollars. ESG is adamant that it is not in the best interests of Orion shareholders to share a large portion of these assets and Orion's \$6 million in cash in return for Energetica's tenements which have no established resource and minimal evidence of reserve upside.

Strategy to enhance value of Orion

Should the resolutions be passed at the upcoming EGM, ESG has been advised by the proposed new directors that they intend undertaking a strategic review to determine a path forward which will enhance the value of the Company. Naturally, any material transactions arising from this review will be subject to thorough due diligence and valuation assessments.

Recommended action to enhance value of Orion

ESG recommends that you **VOTE FOR ALL RESOLUTIONS** at the Orion Extraordinary General Meeting on 7 June 2011 to appoint Russell Langusch, Alex Sundich and Andrew Bursill as Directors of the Company replacing Chairman / CEO Robert Willcocks and Non-Executive Director Dennis Morton.

Outlined below are biographies of the proposed new Directors of Orion. In each case, they have established credentials in their specialised areas and will be able to make positive and constructive contribution to Board deliberations. Mr Sundich is an independent director of ESG. Whilst because of his position on ESG he will not be independent of ESG, he will bring to Orion the same expertise and independence he brings as an independent director to the Board of ESG. Mr Langusch and Mr Bursill are, whilst nominated by ESG, independent of ESG.

ESG acknowledges Mr Morton's position as one of the founders of ESG and a continuing significant shareholder in ESG. Nevertheless, the Board of ESG believes that Messrs. Willcocks and Morton have lost their way in proposing the Energetica deal and that a new Board should be elected to develop and implement a strategy to enhance the value of Orion shares. The Energetica transaction does not do this, locking shareholders into a low value high risk scenario and likely low liquidity in Orion shares.

If you have any questions in relation to this matter, please don't hesitate to contact the Orion Shareholder Information Line on 1800 810 891 and 02 8256 3353.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John Anderson", with a horizontal line underneath.

The Hon John Anderson
Chairman
Eastern Star Gas Limited



Proposed Directors

Russell Langusch

Russell is an independent energy consultant with over 36 years' worldwide experience in the upstream oil & gas and finance sectors. He commenced his professional career employed by Schlumberger in a number of international locations engaged in a multitude of roles including petroleum engineering, petrophysics, sales-marketing and management. Moving back to Australia in 1985 he was then employed by Esso Australia as a senior reservoir engineer before joining the finance sector in 1987. Over the following 14 years he worked for a number of major investment banks including the Hong Kong Bank, Deutsche Bank and CIBC undertaking company research and corporate advisory activities.

Russell established his own successful consultancy business in 2001 providing independent research reports, project assessments, financial modeling, corporate advisory services and expert valuations for many domestic and international clients. During the period 2004-2008 he was the founding Managing Director of Elixir Petroleum, a dual ASX and AIM-listed E&P company based in London with assets in the UK North Sea, Gulf of Mexico and West Africa. More recently he was the Managing Director of Orion Petroleum from October 2009 until March 2011. He holds the degrees of Bachelor of Engineering (Electrical – First Class Honours) and Master of Engineering Science from the University of Queensland, Brisbane, and is a member of the Society of Petroleum Engineers, the Australasian Institute of Mining & Metallurgy and the Petroleum Exploration Society of Australia.

Alex Sundich

Alex has over 20 years' experience in the financial services industry and is a Fellow of the Financial Services Institute of Australia, a Member of the Institute of Chartered Accountants in Australia and a Member of the Australian Institute of Company Directors. Alex is a Non-Executive Director of Eastern Star Gas Limited and Executive Director of Harvest Capital Partners, an investment firm that he co-founded in 2008. From 2003 to 2008, Alex held senior management positions within the funds management industry. Prior to that, Alex was an investment banker providing advice to corporate clients on merger and acquisition transactions and debt and equity capital raisings, with a particular focus on the oil, gas and mining industries. Alex worked with Goldman Sachs and Credit Suisse First Boston during this period which included six years working in New York. Alex is also a Non-Executive Director of Ellex Medical Lasers Limited, an ASX listed manufacturer of medical equipment.

Andrew Bursill

Andrew has over 15 years' experience in the provision of advisory services to ASX-listed and unlisted public companies and is a member of the Institute of Chartered Accountants in Australia. Andrew is currently a Director and Company Secretary of ASX-listed Argonaut Resources NL, and Australia Oriental Minerals NL, both junior exploration companies, and Company Secretary of ASX-listed Aguiá Resources Limited, Kibaran Nickel Limited, and MOKO.mobi Limited.



In 1998, Andrew co-founded Franks & Associates Pty Ltd, an organisation that specialises in providing financial and strategic services to ASX-listed entities. In this role, Andrew has been involved with numerous ASX-listed and unlisted public companies in a wide range of industries including diversified mineral exploration, biotechnology, medical devices, and technology services. Of particular relevance, Andrew was the Company Secretary and Chief Financial Officer of SAPEX Limited, a South Australian based conventional oil and gas explorer, up until its acquisition by Linc Energy Limited in 2008, and is also currently a director of the unlisted Tamboran Resources Pty Limited, an unconventional oil and gas explorer.

Prior to co-founding Franks & Associates Pty Ltd, Andrew worked for Price Waterhouse (subsequently merged into pwc) in their business advisory and corporate services sections.