

Orpheus Energy Limited

ACN 121 257 412



ORPHEUS
ENERGY

Explanatory Memorandum

Incorporating
**Notice of Annual General Meeting
and Proxy Form**

to be held on
Friday 1 November, 2013 at 1 pm AEDT

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

This Explanatory Memorandum is dated 30 September 2013

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

A vertically-integrated Indonesian coal producer



Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) 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 AEDT on Friday, 1 November 2013 (Sydney time).

The Explanatory Memorandum that accompanies and forms part of this Notice of AGM describes the various resolutions to be considered at the Meeting.

AGENDA – Ordinary Business

Financial Statements and Reports

To receive and consider the Annual Report and Financial Statements of the Company for the year end 30 June 2013 and the Reports of Directors and Auditors thereon.

Note: This item of business is for discussion only and is not a resolution.

Resolution 1: Adoption of Remuneration Report

To consider the Remuneration Report as it appears in the Annual Report of the Company for the year ended 30 June 2013 and, if thought fit, pass the resolution as an ordinary resolution in accordance with section 250R(3) of the *Corporations Act 2001*:

- 1 **“That the Remuneration Report for the year ended 30 June 2013 included in the Directors’ Report, which is attached to the Financial Statements as required under section 300A of the Corporations Act be adopted by the Company.”**

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 1 by or on behalf of (in any capacity):

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

However, the Company need not disregard a vote if it is cast by:

- (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.

Notes

- In accordance with section 250R(3) of the Corporations Act, the votes cast in respect of this resolution are advisory only and do not bind the directors or the Company.
- The directors will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the meeting when reviewing the Company’s remuneration policies.
- If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a “spill resolution”) that another meeting be held within 90 days at which all of the Company’s directors (other than the Managing Director and CEO) must go up for re-election.

Resolution 2: Election of a director, Michael Rhodes

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

- 2 “That Mr Michael Rhodes who has been appointed a director by the board of directors as an additional director in accordance with rule 69.1 of the constitution of the company and, being eligible, is hereby elected as a director of the Company.”**

Resolution 3: Re-election of a director, Wesley Harder

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

- 3 “That Wesley Harder, who retires by rotation in accordance with the Company’s Constitution and the Listing Rules of the ASX and having offered himself for re-election and being eligible, is hereby re-elected as a director of the Company.”**

Resolution 4: Approval of issues under Long Term Incentives (LTI) plan

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

- 4 “That any equity securities issued under the Orpheus Energy Limited Long Term Incentive Plan, the terms of which are described in the Explanatory Notes, during the 3 years following the date of this meeting be approved as an exception for the purposes of ASX Listing Rule 7.1.”**

Voting exclusion statement:

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 4 by or on behalf of any director of the Company (other than those who are ineligible to participate in any employee incentive scheme of the Company) and any of their associates, except if the vote is cast by a person (including a person chairing the meeting) as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form.

Resolution 5: Grant of options to executive chairman, Wayne Mitchell

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

- 5 “That approval is given for the grant of options to the Executive Chairman, Wayne Mitchell, under the Orpheus Energy Limited Long Term Incentive Plan, on the terms summarised in the Explanatory Notes.”**

Voting exclusion statement:

In accordance with the ASX Listing Rule 10.14, the Company will disregard any votes cast on Resolution 5 by or on behalf of any director of the Company (other than those who are ineligible to participate in any employee incentive scheme of the Company) and any of their associates, except if the vote is cast by a person (including a person chairing the meeting) as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form.

In addition, the Corporations Act provides that a member of the Company’s key management personnel and their closely related parties are not permitted to cast a vote as a proxy on Resolution 5.

Resolution 6: Grant of options to executive director, David Smith

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

- 6 “That approval is given for the grant of options to the Executive Director, David Smith, under the Orpheus Energy Limited Long Term Incentive Plan, on the terms summarised in the Explanatory Notes.”**

Voting exclusion statement:

In accordance with the ASX Listing Rule 10.14, the Company will disregard any votes cast on Resolution 6 by or on behalf of any director of the Company (other than those who are ineligible to participate in any employee incentive scheme of the Company) and any of their associates, except if the vote is cast by a person (including a person chairing the meeting) as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form.

In addition, the Corporations Act provides that a member of the Company’s key management personnel and their closely related parties are not permitted to cast a vote as a proxy on Resolution 6.

Resolution 7: Grant of options to executive director, Wesley Harder

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

- 7 “That approval is given for the grant of options to the Executive Director, Wesley Harder, under the Orpheus Energy Limited Long Term Incentive Plan, on the terms summarised in the Explanatory Notes.”**

Voting exclusion statement:

In accordance with the ASX Listing Rule 10.14, the Company will disregard any votes cast on Resolution 7 by or on behalf of any director of the Company (other than those who are ineligible to participate in any employee incentive scheme of the Company) and any of their associates, except if the vote is cast by a person (including a person chairing the meeting) as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form.

In addition, the Corporations Act provides that a member of the Company’s key management personnel and their closely related parties are not permitted to cast a vote as a proxy on Resolution 7.

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 resolutions 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/orpheusagm2013

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 annual general meeting, shares will be taken to be held by the persons who are the registered holders at 7pm on Wednesday 30th of October, 2013. 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

John Stone

Company Secretary

Dated: 30 September 2013

Explanatory Memorandum

INTRODUCTION

This Explanatory Memorandum accompanies and forms part of the Notice of Annual General Meeting (“AGM”) of Orpheus Energy Limited (“the Company” or “OEG”) and is intended to provide shareholders of the Company with information to assess the merits of the Resolutions contained in the business to be conducted at the AGM to be held on Friday 1 November 2013. A Notice of AGM accompanies this document.

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 proposals to put the Resolutions to shareholders as outlined in the Notice of AGM and the preparation of this Explanatory Memorandum.

Financial Statements and Reports

The Annual Report, Financial Statements and the reports of the Directors and the auditor for the year ended 30 June 2013 will be laid before the meeting. There is no requirement for Shareholders to approve those reports.

Resolution 1: Adoption of Remuneration Report

The Remuneration Report contained in the Directors’ Report is set out in the Company’s 2013 Annual Report. The vote is advisory only and the outcome will not be binding on the Directors or the Company. Shareholders will be given a reasonable opportunity to ask questions or make comments on the Remuneration Report at the Annual General Meeting.

The persons excluded from voting on this report are the directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly (“Key Management Personnel”). The Remuneration Report identifies the Company’s Key Management Personnel for the financial year to 30 June 2013. In addition, closely related parties of Key Management Personnel are excluded from voting, and include certain of their family members, dependants and companies they control.

Any undirected proxies held by the Chairman of the meeting, other directors or other key management personnel or any of their closely related parties will not be voted on Item 1 (Remuneration Report).

Resolution 2: Election of a director, Michael Rhodes

Resolution 3 relates to the election of Michael Rhodes as a director of the Company. Under rule 69.1 of the constitution of the Company, the board of directors appointed Mr Rhodes as an additional director to be confirmed by shareholders at the next AGM.

Mr Rhodes is a highly experienced drilling engineer having worked around the world including South East Asia and the Middle East. Mr Rhodes has lived and worked in Indonesia for over 20 years. He is a principal and Director of PT Mega Coal, Orpheus’ Indonesian JV partner.

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

Resolution 3: Re-election of a director, Wesley Harder

Resolution 2 relates to the re-election of Wesley Harder as a director of the Company. Under the Constitution and the ASX Listing Rules, one-third of the Company's Directors must resign and, if eligible, may be re-elected. Wesley Harder retires by rotation and being eligible, offers himself for re-election as a Director.

Mr Harder is a qualified geologist and has worked as a field exploration geologist for fifteen years in Australia, Indonesia and the Pacific.

Mr Harder is the Orpheus Group Exploration Manager and has served as a Director of Orpheus Energy Limited since 2009.

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

Resolution 4: Approval of issues under Long Term Incentives (LTI) Plan

Background

During the year, the Board undertook a review of the executive remuneration framework with the assistance of an external independent adviser. Following that review, the Board approved the adoption of the Orpheus Energy Limited Long Term Incentive Plan (**LTI Plan**).

The LTI Plan forms a key element of the Company's incentive and retention strategy for key executives and executive directors. No directors are currently entitled to participate in the LTI Plan. The Plan is designed to:

- facilitate equity ownership for key executives and executive directors, providing the opportunity to align their interest with those of shareholders;
- encourage the achievement of performance goals and growth of Orpheus' business; and
- focus employees on enhancing shareholder value.

Approvals sought

ASX Listing Rule 7.1 provides that any listed entity must not issue equity securities that total more than 15% of its fully paid ordinary shares in a 12 month period without shareholder approval (**15% Rule**).

Under Listing Rule 7.2, shareholders may approve issues under an employee incentive scheme as an exception to the 15% Rule. In the context of the LTI Plan, this means that any options granted under the Plan (and shares allocated on exercise of vested options) would not be considered for the purposes of calculating the Company's capacity to issue securities under the 15% Rule.

This approval continues for three years, at which time it must be renewed, or it will expire. In the absence of such an approval, issues of securities under the Plan may still be made, but must fall within the 15% Rule at the time of issue.

In the Board's opinion, the resolution will assist Orpheus in managing its capital requirements efficiently by ensuring that the 15% limit is not diminished by issues under the LTI Plan and capacity is available for capital management initiatives and acquisitions, if necessary and appropriate.

Key terms

A summary of the key terms of the LTI Plan appear below:

- Awards under the LTI Plan are granted in the form of 'options', each being an option to acquire one ordinary share in the Company upon payment of an exercise price.
- Under the LTI Plan, the Board may grant options to employees and directors of Orpheus and its related bodies corporate, and to other persons determined by the Board.
- The Board may determine the exercise price, vesting conditions, exercise period and lapsing conditions and any other terms applicable to a grant of options.
- In general, options will not carry any dividend or voting rights. Options are also non-transferable, except in limited circumstances or with the consent of the Board.
- The Company may issue new shares or procure the acquisition of shares on-market to satisfy vested and exercised options. The Company may establish an employee share trust for the purpose of holding shares.
- In the event of fraud, dishonesty or material misstatement of financial statement, the Board may make a determination, including lapsing unvested options, to ensure that no unfair benefit is obtained by a participant.
- In the event of a takeover, scheme of arrangement or other transaction which may result in a person becoming entitled to exercise control over the Company, the Board has discretion to determine whether any unvested options should vest, lapse or become subject to different vesting conditions.
- In general, where a participant ceases employment prior to options vesting, all unvested options will lapse. However, the Board has discretion to determine the treatment of any unvested options where a participant ceases employment in 'good leaver' circumstances. If a participant ceases employment after vesting, any vested options must be exercised within 60 days of cessation otherwise they will lapse.
- The LTI Plan will be administered by the Board which, subject to the ASX Listing Rules and applicable legal requirements, is given the power to make all required determinations under the Plan and to waive or modify the application of the terms of the Plan and the options granted under it as it considers appropriate.
- The Company will not provide loans to participants to acquire securities under the LTI Plan.

A copy of the rules of the LTI Plan will be available for inspection at the Company's registered office during normal business hours.

As this is a new Plan, no securities have been issued under it to date. Separate shareholder approval is being sought for the grant of options to the Executive Chairman and Executive Directors (see Resolutions 5, 6 and 7 below).

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

Resolution 5: Grant options to the Executive Chairman Wayne Mitchell

Under the ASX Listing Rule 10.14, shareholder approval is required for certain issues of securities to directors of the Company.

Accordingly, shareholders are asked to approve a grant of options to:

- the Executive Chairman, Mr Wayne Mitchell;

under the terms of the Orpheus Energy Limited Long Term Incentive Plan (**LTI Plan**).

Key terms of grant

The key terms of the grant of options proposed to be made to Mr Mitchell under the LTI Plan are set out below. An overview of the LTI Plan can also be found in the Explanatory Memorandum under Resolution 4 'Key Terms'.

Number of options	<p>The proposed grant under the LTI Plan for:</p> <ul style="list-style-type: none"> • Mr Wayne Mitchell; <p>will be calculated based on dividing the LTI remuneration value applicable to the position occupied by each executive director by an option value, determined by the Black Scholes Merton valuation calculated using the 5 day VWAP for Orpheus shares traded on the ASX in the period commencing on the day after of the release to the market of the 2013 Orpheus Annual Report.</p> <p>The LTI remuneration value has been determined by reference to market practice applicable to ASX listed mining companies of similar size.</p> <p>The maximum number of securities which will be issued under this resolution is 6,750,000.</p>
Date of grant	<p>If shareholder approval is obtained, it is intended that the options will be granted to Mr Mitchell shortly after the meeting but, in any event, within 12 months after the date of the meeting</p>
Performance period and vesting	<p>The performance period is three years, commencing on 1 July 2013. There is potential for options to vest prior to the end of the performance period if the milestone 'targets' are fully achieved.</p>
Performance hurdles	<p>The options are granted in two separate tranches, each with separate and independent performance hurdles.</p> <p>Tranche 1: Cumulative tonnage shipped</p> <p>50 per cent of the options are tested against a cumulative tonnage shipped target which requires at least 2 million cumulative tonnes of coal to be shipped from 1 July 2013. If the target is met after 2 years, 100% of the Tranche 1 options will vest. If the target is met after 3 years, 50% of the options will vest. Options may vest progressively on a straight-line basis if the target is met between years 2 and 3.</p> <p>Tranche 2: Annual EBITDA target</p> <p>50 per cent of the options are tested against an annual EBITDA target which requires the annual EBITDA of Orpheus to be at least \$3.5 million. If the target is met after 2 years (following preparation of the audited financial statements), 100% of the Tranche 2 options will vest. If the target is met after 3 years, 50% of the options will vest.</p>
Price payable on grant or exercise	<p>No amount will be payable in respect of the grant of options.</p> <p>Vested options will have an exercise price calculated as the 5 day VWAP for Orpheus shares traded on the ASX in the period commencing on the day after the release to the market of the 2013 Orpheus Annual Report (being the effective grant date of the options).</p>
Exercise of Options	<p>Vested options are subject to an additional 'exercise condition', which requires that the average closing market price of Orpheus shares over the previous 10 trading days must be at least 30% higher than the exercise price before the options become exercisable.</p> <p>Vested options must be exercised by the expiry date of 30 June 2017, otherwise they will lapse.</p>
Allocation of Shares	<p>Following testing of the applicable performance conditions and determination of the vesting level of the options, one fully paid ordinary share in Orpheus will be allocated in relation to each vested option which is exercised, upon payment of the exercise price.</p> <p>The shares allocated will not be subject to any additional trading restrictions.</p>

Cessation of employment	<p>If Mr Mitchell ceases employment with Orpheus prior to options vesting, all unvested options will lapse on that date. However, in certain circumstances (such as cessation for reasons of death, disability or otherwise in circumstances approved for this purpose by the Board), the Board may determine the treatment of any unvested options.</p> <p>If employment ceases after the relevant vesting date, any vested options must be exercised within 60 days of cessation, otherwise they will lapse.</p>
Other required information	<p>No current directors other than Mr Mitchell, Mr Smith or Mr Harder are entitled to participate in the LTI Plan.</p> <p>No securities have been granted under the LTI Plan to date.</p>

The Board (other than Mr Mitchell) unanimously recommends that members vote in favour of this Resolution.

Resolution 6: Grant options to the Executive Director David Smith

Under the ASX Listing Rule 10.14, shareholder approval is required for certain issues of securities to directors of the Company.

Accordingly, shareholders are asked to approve a grant of options to:

- the Executive Director, Mr David Smith;

under the terms of the Orpheus Energy Limited Long Term Incentive Plan (**LTI Plan**).

Key terms of grant

The key terms of the grant of options proposed to be made to Mr Smith under the LTI Plan are set out below. An overview of the LTI Plan can also be found in the Explanatory Memorandum under Resolution 4 'Key Terms'.

Number of options	<p>The proposed grant under the LTI Plan for:</p> <ul style="list-style-type: none"> • Mr David Smith; <p>will be calculated based on dividing the LTI remuneration value applicable to the position occupied by each executive director by an option value, determined by the Black Scholes Merton valuation calculated using the 5 day VWAP for Orpheus shares traded on the ASX in the period commencing on the day after of the release to the market of the 2013 Orpheus Annual Report.</p> <p>The LTI remuneration value has been determined by reference to market practice applicable to ASX listed mining companies of similar size.</p> <p>The maximum number of securities which will be issued under this resolution is 3,500,000.</p>
Date of grant	<p>If shareholder approval is obtained, it is intended that the options will be granted to Mr Smith shortly after the meeting but, in any event, within 12 months after the date of the meeting</p>
Performance period and vesting	<p>The performance period is three years, commencing on 1 July 2013. There is potential for options to vest prior to the end of the performance period if the milestone 'targets' are fully achieved.</p>

Performance hurdles	<p>The options are granted in two separate tranches, each with separate and independent performance hurdles.</p> <p>Tranche 1: Cumulative tonnage shipped</p> <p>50 per cent of the options are tested against a cumulative tonnage shipped target which requires at least 2 million cumulative tonnes of coal to be shipped from 1 July 2013. If the target is met after 2 years, 100% of the Tranche 1 options will vest. If the target is met after 3 years, 50% of the options will vest. Options may vest progressively on a straight-line basis if the target is met between years 2 and 3.</p> <p>Tranche 2: Annual EBITDA target</p> <p>50 per cent of the options are tested against an annual EBITDA target which requires the annual EBITDA of Orpheus to be at least \$3.5 million. If the target is met after 2 years (following preparation of the audited financial statements), 100% of the Tranche 2 options will vest. If the target is met after 3 years, 50% of the options will vest.</p>
Price payable on grant or exercise	<p>No amount will be payable in respect of the grant of options.</p> <p>Vested options will have an exercise price calculated as the 5 day VWAP for Orpheus shares traded on the ASX in the period commencing on the day after the release to the market of the 2013 Orpheus Annual Report (being the effective grant date of the options).</p>
Exercise of Options	<p>Vested options are subject to an additional 'exercise condition', which requires that the average closing market price of Orpheus shares over the previous 10 trading days must be at least 30% higher than the exercise price before the options become exercisable.</p> <p>Vested options must be exercised by the expiry date of 30 June 2017, otherwise they will lapse.</p>
Allocation of Shares	<p>Following testing of the applicable performance conditions and determination of the vesting level of the options, one fully paid ordinary share in Orpheus will be allocated in relation to each vested option which is exercised, upon payment of the exercise price.</p> <p>The shares allocated will not be subject to any additional trading restrictions.</p>
Cessation of employment	<p>If Mr Smith ceases employment with Orpheus prior to options vesting, all unvested options will lapse on that date. However, in certain circumstances (such as cessation for reasons of death, disability or otherwise in circumstances approved for this purpose by the Board), the Board may determine the treatment of any unvested options.</p> <p>If employment ceases after the relevant vesting date, any vested options must be exercised within 60 days of cessation, otherwise they will lapse.</p>
Other required information	<p>No current directors other than Mr Mitchell, Mr Smith or Mr Harder are entitled to participate in the LTI Plan.</p> <p>No securities have been granted under the LTI Plan to date.</p>

The Board (other than Mr Smith) unanimously recommends that members vote in favour of this Resolution.

Resolution 7: Grant options to the Executive Wesley Harder

Under the ASX Listing Rule 10.14, shareholder approval is required for certain issues of securities to directors of the Company.

Accordingly, shareholders are asked to approve a grant of options to:

- the Executive Director, Mr Wesley Harder;

under the terms of the Orpheus Energy Limited Long Term Incentive Plan (**LTI Plan**).

Key terms of grant

The key terms of the grant of options proposed to be made to Mr Harder under the LTI Plan are set out below. An overview of the LTI Plan can also be found in the Explanatory Memorandum under Resolution 4 'Key Terms'.

Number of options	<p>The proposed grant under the LTI Plan for:</p> <ul style="list-style-type: none"> • Mr Wesley Harder; <p>will be calculated based on dividing the LTI remuneration value applicable to the position occupied by each executive director by an option value, determined by the Black Scholes Merton valuation calculated using the 5 day VWAP for Orpheus shares traded on the ASX in the period commencing on the day after of the release to the market of the 2013 Orpheus Annual Report.</p> <p>The LTI remuneration value has been determined by reference to market practice applicable to ASX listed mining companies of similar size.</p> <p>The maximum number of securities which will be issued under this resolution is 2,500,000.</p>
Date of grant	<p>If shareholder approval is obtained, it is intended that the options will be granted to Mr Harder shortly after the meeting but, in any event, within 12 months after the date of the meeting</p>
Performance period and vesting	<p>The performance period is three years, commencing on 1 July 2013. There is potential for options to vest prior to the end of the performance period if the milestone 'targets' are fully achieved.</p>
Performance hurdles	<p>The options are granted in two separate tranches, each with separate and independent performance hurdles.</p> <p>Tranche 1: Cumulative tonnage shipped</p> <p>50 per cent of the options are tested against a cumulative tonnage shipped target which requires at least 2 million cumulative tonnes of coal to be shipped from 1 July 2013. If the target is met after 2 years, 100% of the Tranche 1 options will vest. If the target is met after 3 years, 50% of the options will vest. Options may vest progressively on a straight-line basis if the target is met between years 2 and 3.</p> <p>Tranche 2: Annual EBITDA target</p> <p>50 per cent of the options are tested against an annual EBITDA target which requires the annual EBITDA of Orpheus to be at least \$3.5 million. If the target is met after 2 years (following preparation of the audited financial statements), 100% of the Tranche 2 options will vest. If the target is met after 3 years, 50% of the options will vest.</p>

Price payable on grant or exercise	<p>No amount will be payable in respect of the grant of options.</p> <p>Vested options will have an exercise price calculated as the 5 day VWAP for Orpheus shares traded on the ASX in the period commencing on the day after the release to the market of the 2013 Orpheus Annual Report (being the effective grant date of the options).</p>
Exercise of Options	<p>Vested options are subject to an additional 'exercise condition', which requires that the average closing market price of Orpheus shares over the previous 10 trading days must be at least 30% higher than the exercise price before the options become exercisable.</p> <p>Vested options must be exercised by the expiry date of 30 June 2017, otherwise they will lapse.</p>
Allocation of Shares	<p>Following testing of the applicable performance conditions and determination of the vesting level of the options, one fully paid ordinary share in Orpheus will be allocated in relation to each vested option which is exercised, upon payment of the exercise price.</p> <p>The shares allocated will not be subject to any additional trading restrictions.</p>
Cessation of employment	<p>If Mr Harder ceases employment with Orpheus prior to options vesting, all unvested options will lapse on that date. However, in certain circumstances (such as cessation for reasons of death, disability or otherwise in circumstances approved for this purpose by the Board), the Board may determine the treatment of any unvested options.</p> <p>If employment ceases after the relevant vesting date, any vested options must be exercised within 60 days of cessation, otherwise they will lapse.</p>
Other required information	<p>No current directors other than Mr Mitchell, Mr Smith or Mr Harder are entitled to participate in the LTI Plan.</p> <p>No securities have been granted under the LTI Plan to date.</p>

The Board (other than Mr Harder) unanimously recommends that members vote in favour of this Resolution.

Schedule 1 – Definitions

In this Notice and the Explanatory Memorandum:

\$ means Australian Dollars.

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.

Closely Related Party means:

- (a) A spouse or child of the member; or
- (b) Has the meaning given by Section 9 of the Corporations Act.

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

Constitution means the constitution of the Company as at the commencement of the Meeting.

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

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

Equity Securities has the same meaning as in the Listing Rules.

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.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

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.

Option means an option which entitles the holder to subscribe for one Share.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Notice.

Section means a section contained in this Explanatory Memorandum.

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.

VWAP means volume weighted average price.

AEST means Australian Eastern Standard Time, being the time in Sydney, New South Wales.

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.



ORPHEUS
ENERGY

Orpheus Energy Limited

ABN 67 121 257 412

Level 12, 179 Elizabeth Street
Sydney New South Wales 2000
Australia



A vertically-integrated Indonesian coal producer



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

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 1:00pm AEDT on Wednesday 30 October 2013.**

🖥 TO VOTE ONLINE

STEP 1: VISIT www.boardroomlimited.com.au/vote/orpheusagm2013

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:

- 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.
- 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 AEDT on Wednesday 30 October 2013.** 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/orpheusagm2013

📠 **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.

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 Friday, 1st November, 2013 at 1:00 pm AEDT** 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.

No undirected proxies to the Chairman or Key Management Personnel will be voted on Resolutions 1 & 5. You are encouraged to direct your proxy by marking the box in relation to the resolutions in the section below.

The Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

*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.

		For	Against	Abstain*
Resolution 1	To Adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of a director, Michael Rhodes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of a director, Wesley Harder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of issues under Long Term Incentives (LTI) plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Grant of options to executive chairman, Wayne Mitchell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Grant of options to executive director, David Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Grant of options to executive director, Wesley Harder	<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 / / 2013