

2 July 2012

ORPHEUS STRENGTHENS REVENUE STREAM WITH NEW ROYALTY AGREEMENT AT THE B2 COAL PROJECT

- **PT Debbia Mining to pay Orpheus US\$8 per tonne on all coal sales**
- **Orpheus not responsible for any capital, operating or marketing expenses**
- **B2 targeting production of 30,000t per month**
- **Expected to recommence production in August**

Orpheus Energy (ASX:OEG) is pleased to advise that it has executed a life of mine Royalty Agreement with Indonesian mining contractor PT Debbia Mining, whereby OEG will receive US\$8 per tonne on all coal sales at its 51% owned B2 project in East Kalimantan, Indonesia.

After a lengthy assessment on how B2 would optimally resume production, it was determined that the most cost efficient, lowest risk and profitable strategy would be to appoint a competent mining contractor, proficient in thin seam mining, under a royalty payment arrangement. Orpheus is not responsible for any capital, operating or coal marketing expenses under this arrangement.

The mining contractor is currently undertaking some additional pre-drilling to finalise the mine plan and will shortly start mobilizing mining equipment at site. The target production rate is 30,000 tonnes per month (360,000 tonnes per year) and B2 is expected to recommence production in August.

The current JORC Coal resource at the B2 project of 0.95Mt indicated and 0.18Mt inferred will provide an initial mine life of approximately three years. Exploration programs soon to be undertaken at the adjacent B6 project (an exploration target of 1.5Mt to 2.5Mt and calorific value of 5,950 to 6,850 kcal/kg*) and nearby B34 project (an exploration target of 5Mt to 10Mt and calorific value of 7,200 to 8,100 kcal/kg*), approximately 60 km west, will delineate additional resources to continue mining in this area.

Executive Chairman Wayne Mitchell said, *"We are pleased to enter into this agreement with an experienced mining contractor. We can now recommence production at B2, and the royalty arrangement means the company assumes no financial risk with the royalty going straight to Orpheus' bottom line."*

"This development progresses our Indonesian coal strategy of rapidly ramping up production in Kalimantan. Together with our Kintap ADK project, which is currently producing 50,000 tonnes per month, Orpheus will soon be producing at the rate of 80,000 tonnes per month (net 40,000 tonnes to Orpheus) once B2 resumes mining.

"The next step for us is to bring additional Kintap area satellite mines into production and we look forward to updating shareholders on developments".

About Orpheus Energy Limited

Orpheus Energy Limited ("OEG") is a coal company focusing on coal production and exploration in Indonesia. OEG also owns some Australian coal and industrial minerals projects. Orpheus has signed a strategic alliance with PT Mega Coal International ('Mega') which is an existing coal producer and exporter. Orpheus is on a fast track to growth, through increasing production at the recently acquired ADK project, moving its B26/34 projects into production, definitive exploration programmes at the Papua project and acquiring near term production assets.

About PT Mega Coal

PT Mega Coal is a privately-held coal mining company with an extensive local network and mining experience in Indonesia. OEG has an existing strategic alliance with PT Mega Coal, notably including its joint ventures for ADK, B26/B34 and Papua. The strategic alliance with PT Mega Coal enables the opportunity for continued additional coal concessions in Indonesia.

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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.

Competent Person's Statement:

The following statements apply in respect of the information in this announcement that relates to exploration targets. The information is based on, and accurately reflects information compiled by Wes Harder, who is a Member of the Australasian Institute of Mining and Metallurgy. Wes Harder is a Director of Orpheus Energy Limited and is a Geologist who has sufficient experience which is relevant to the style of coal mineralisation and type of deposit under discussion and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Wes Harder consents to the inclusion in the report of the material, based on his information, in the form and context in which it appears.

*** JORC- Exploration Target**

It is common practice for a company to comment and discuss its exploration in terms of target and size type. The information in this presentation relating to an exploration target for B6 should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. The potential quantity and grade is conceptual nature, there has been insufficient work completed to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.