ORPHEUS ENERGY LIMITED

(ACN 121 257 412)

EXPLANATORY MEMORANDUM

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

to be held on
Wednesday 23 March 2011 at 10:30am

at
Level 5, 44 Miller St, North Sydney, NSW

This Explanatory Memorandum is dated 22 February 2011.

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

ORPHEUS ENERGY LIMITED
(ACN 121 257 412)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Orpheus Energy Limited ("OEG or the Company") will be held at Level 5, 44 Miller St, North Sydney on Wednesday 23 March 2011 commencing at 10:30 am (Sydney time).

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

AGENDA

Resolution 1 Issue of Shares and under Placement

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

   "That for the purposes of Listing Rule 7.1 of the Australian Securities Exchange ("ASX") Listing Rules, and for all other purposes, the directors be authorised to issue up to 55,600,000 million fully paid ordinary shares (each a Share) in the capital of the Company at a price of 50 cents per share or more on the terms set out in the *Explanatory Notes*"

Voting Exclusion Statement

The Company will disregard any votes cast on the resolution by any person ('Participating Party') who is a person that may participate in, or obtain a benefit from (except a benefit solely in the capacity as a shareholder if the resolution is passed), the proposed issue of securities and any person who for the purposes of Part 1.2 Division 2 of the Corporations Act would be regarded as a person associated with the Participating Party ('Associate'). However, the Company will not disregard a vote if it is cast by the Participating Party or Associate:

a) as proxy for another person who is entitled to vote in accordance with the directions on the proxy form; or
b) who is chairing the meeting, as proxy for a person who is entitled to vote in accordance with the 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 all 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, Security Transfer Registrars Pty Ltd, PO Box 535 Applecross WA 6953 Australia (or Fax +61 (0) 8 9315 2233) no later than 10:30am Monday 21 March 2011.

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.

By order of the Board

Wayne Mitchell
Director
Dated: 22 February 2011

ORPHEUS ENERGY LIMITED
(ACN 121 257 412)

EXPLANATORY MEMORANDUM

INTRODUCTION

This Explanatory Memorandum accompanies and forms part of the Notice of General Meeting 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 Resolution contained in the business to be conducted at the General Meeting to be held on 23 March 2011. A Notice of General Meeting 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 proposal to put the Resolution to shareholders as outlined in the Notice of General Meeting and the preparation of this Explanatory Memorandum.

Resolution 1: Placement of Securities

It is noted that at the General Meeting of the Company on 30 November 2010, the shareholders of the Company authorised the issue of securities pursuant to a placement, such that the Company would issue up to:

1. 35 million shares at an issue price of 20 cents or more each to raise up to $7 million or more; and
2. 17.5 million options, each exercisable into one share by the payment of 20 cents on or before 31 December 2011, with 1 option being issued for no additional consideration for every 2 shares subscribed for,

With the issue to occur on a date that was not yet determined but in any event no later than 28 February 2011, and it was intended that the allotment would occur on a single date.

The Company now wishes to increase the number of shares raised, stipulate a higher issue price and to extend this issue date. Resolution 1 proposes that the shareholders of the Company authorise the issue of securities pursuant to a placement, such that the Company would issue up to 55,600,000 million shares at an issue price of 50 cents or more to raise up to $27.8 million or more. The previous approval by the shareholders included options; however, following advice from the Company's corporate advisors the offering will no longer include options. The issue will occur on a date that is not yet determined but in any event no later than 3 months after the date of the meeting (which shall be 22 June 2011, and it is intended that the allotment will occur on a single date.

Allottees

The securities the subject of this resolution will be issued at the discretion of the directors but will not be made to related parties.

Use of Funds

Following is a summary of how the Company expects to allocate its capital over the next two years:

Details:

	Minimum Subscription		Maximum Subscription	
	Yr 1 ($)	Yr 2 ($)	Yr 1 ($)	Yr 2 ($)
Project Development Expenditure				
B26	3,000,000	-	3,000,000	-
Kintap	1,500,000	3,500,000	1,500,000	7,000,000
Hodgson Vale	400,000	100,000	400,000	400,000
Ashford	150,000	190,000	150,000	190,000
Wingen	150,000	200,000	150,000	300,000
Project Acquisition Payments				
Payments regarding Acquisition of Kintap Project	5,000,000	5,000,000	5,000,000	5,000,000
Other Costs				
Brokerage (including unrecouped GST)	1,482,000	-	1,807,000	-
ASX Listing fees and Other (fixed) Expenses of the Offer are being funded from existing funds				
Corporate Overheads - Management and Administration	1,000,000	1,100,000	1,200,000	1,200,000
Cash Surplus from Public offering		28,000		503,000
Total allocation of funds by year	**12,682,000**	**10,118,000**	**13,207,000**	**14,593,000**
Total allocation of funds		**22,800,000**		**27,800,000**

Funds allocated to the Company's projects will be applied through the exploration programs developed for each project over the first two years following the capital being raised and includes cash costs of acquisition (where relevant). The programme in Year 2 is contingent on results of the programme for Year 1. Should the Company only raise its anticipated minimum subscription of $22.8 million, it will still have enough working capital to carry out its objectives.
Working capital will be applied to corporate overheads and capital expenditure as well as in any other manner consistent with achieving the Company's objectives. Investors should note that the Company's exploration philosophy ensures that exploration funding is only committed to those projects demonstrating significant mineralisation potential. Projects not demonstrating such potential will either be joint ventured or relinquished, thereby releasing funds to be directed towards more promising projects, and providing additional funding through joint venture arrangements for further exploration activity.

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

ORPHEUS ENERGY LIMITED

ACN: 121 257 412

REGISTERED OFFICE:
Level 5
44 Miller Street
North Sydney NSW 2060

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code: ☐

Holder Number: ☐

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐ **The meeting Chairperson (mark with an "X")** **OR** **The name of the person you are appointing (if this person is someone other than the Chairperson of the meeting).**

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting 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) at the General Meeting of the Company to be held at 10.30am (EST) on Wednesday, 23 March 2011 at Level 5, 44 Miller Street, North Sydney NSW and at any adjournment of that meeting.

SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your Proxy.

Resolution	For	Against	Abstain*
1. Placement of Securities	☐	☐	☐

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

* 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.

☐ **If you wish to appoint the Chairperson as your proxy and you do not wish to direct the Chairperson how to vote, please mark "X" in the box.**
By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him/her other than as a proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution. The Chairperson of the Meeting intends to vote undirected proxies in favour of the resolution.

SECTION C: Please Sign Below

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder	Security Holder 2	Security Holder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

7867337562 Reference Number: ☐ 1 OEG 1

My/Our contact details in case of enquiries are:

NAME

TELEPHONE NUMBER

( )

NOTES

1. Name and Address

This is the name and address on the Share Register of Orpheus Energy Limited. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. Appointment of a Proxy

If you wish to appoint the Chairperson of the Meeting as your Proxy please mark "X" in the box in Section A. Please also refer to Section B of this proxy form and ensure you mark the box in that section if you wish to appoint the Chairperson as your Proxy.

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a Shareholder of Orpheus Energy Limited.

3. Directing your Proxy how to vote

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. Appointment of a Second Proxy

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by telephoning the Company's share registry +61 8 9315 2333 or you may photocopy this form.

To appoint a second Proxy you must:

(a) On each of the Proxy forms, state the percentage of your voting rights or 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 of your votes; and

(b) Return both forms in the same envelope.

5. Signing Instructions

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. Lodgement of Proxy

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than 10.30am (EST) on Monday 21 March 2011, being 48 hours before the time for holding the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting.

Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross, Western Australia 6953

Street Address:
Alexandrea House, Suite 1
770 Canning Highway
Applecross, Western Australia 6153

Telephone **+61 8 9315 2333**

Facsimile **+61 8 9315 2233**

Email **registrar@securitytransfer.com.au**

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