



ORPHEUS

ENERGY

ACN 121 257 412

Explanatory Memorandum

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

to be held on

Friday 14 September, 2012 at 11am

at

Radisson Blu Plaza Hotel Sydney

27 O'Connell Street, Sydney

New South Wales 2000

Australia

This Explanatory Memorandum is dated 14 August 2012.

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 Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of Orpheus Energy Limited (“OEG or the Company”) will be held at **Radisson Blu Plaza Hotel Sydney**, 27 O’Connell Street, Sydney, New South Wales 2000 Australia at 11:00am on Friday 14 September 2012 (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 2012 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 2012 and, if thought fit, pass the resolution as an ordinary resolution in accordance with section 250R(3) of the *Corporations Act 2001*:

“That the Remuneration Report for the year ended 30 June 2012 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 Re-election of a director, Anthony Meacham King

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

“That Anthony Meacham King, 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 3 Ratification of Previous Issue of Shares under Placement

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

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue by the Company of 17,227,198 Fully Paid Ordinary Shares in the Capital of the Company at 13c per share to raise \$2,240,000 by means of a private placement as announced to ASX on 30 May 2012 and as set out in the attached Explanatory Notes is hereby approved.”

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by 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.

Resolution 4 Approval of proposed Issue of Shares pursuant to repayment of Convertible Note

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

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue on the date of this meeting of 18,181,080 Fully Paid Ordinary Shares in the Capital of the Company to Coalworks Limited in full settlement of the outstanding Convertible Note based on a conversion price of \$0.13/share, and on the terms and conditions set out in the attached Explanatory Notes.”

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by Coalworks Limited, its associates and its related bodies corporate. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by 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.

Resolution 5 Approval of 10% Placement Facility

To consider and if thought fit to pass the following resolution as a special resolution:

“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed.

However, the Company will not disregard a vote if:

- (a) It is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or
- (b) It is cast by the Chairman 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/orpheusagm2012

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 12 September 2012. 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



David Smith

Director & Company Secretary

Dated: 14 August 2012

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 14 September 2012. 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 2012 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 2012 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 2012. 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: Re-election of Anthony Meacham King

Resolution 2 relates to the re-election of Anthony Meacham King 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. Anthony Meacham King retires by rotation and being eligible, offers himself for re-election as a Director.

Mr King is a professional metallurgist and qualified geologist with over 20 years of operational and technical experience in the resource industry. A graduate of the University of Cape Town and Macquarie University, Mr King worked for Cominco in the mid 1970s as a field geologist and later served as Company Chemist for Ardlathan Tin, Gold Copper Exploration Pty Ltd and Great Northern Mining Corporation Ltd. He is principal at Tableland Analytical, providing mill processing design, assay and metallurgical services to the resources industry. Mr King formerly served as an executive director of Allegiance Mining NL, and has been involved in the design and construction of coal washing plants and a wide variety of resource projects.

Mr King has served as a Director of Orpheus Energy Limited since 2010.

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

Resolution 3: Ratification of Previous Issue of Shares under Placement

Resolution 3 proposes that shareholders approve and ratify the issue and allotment of a placement of 17,227,198 fully paid ordinary shares in the capital of the Company which was made by the Company on 7 June 2012 ("the Placement") pursuant to ASX Listing Rule 7.1. Listing Rule 7.1 allows the Board of an ASX Listed Company to issue up to 15% of the Company's issued capital in any 12 month period without the approval of the members of the Company.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

The effect of approval of Resolution 3 is to allow the Board of the Company to issue additional securities within the 15% limit under ASX Listing Rule 7.1 after the resolution is adopted, instead of having to wait until 30 May 2013 (being 12 months after the Placement was made).

Information Required by ASX Listing Rule 7.4

The following information in relation to the shares is provided to shareholders for the purposes of ASX Listing Rule 7.3:

- a) 17,227,198 ordinary shares in the capital of the Company were issued under the Placement;
- b) Shares under the Placement were issued at \$0.13 per share;
- c) Shares under the Placement were fully paid on issue and rank equally in all aspects with all existing ordinary shares previously issued by the Company;
- d) Shares under the Placement were allotted to institutional professional and sophisticated investors pursuant to Section 708 of the *Corporations Act*; and
- e) The Company intends to use funds raised from the Placement for its projects and general working capital.

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

Resolution 4: Approval of proposed Issue of Shares pursuant to repayment of Convertible Note

The Company seeks approval for the issue and allotment of 18,181,080 fully paid ordinary shares in the capital of the Company to Coalworks Limited (ACN 114 702 831).

As announced in the Company's ASX Market Release dated 1 August 2012, the Board has agreed terms with the holder of a \$2.2 million Convertible Note ("Note") Coalworks Limited ("Coalworks"), for the full repayment of the Note through the issuance of fully paid ordinary shares at a price of \$0.13 per share.

The effect of the repayment will be an issuance of shares at the same price as the 30 May, 2012 Placement, and the removal of a \$2.2 million liability accruing interest at 9% per annum.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions including prior shareholder approval, issue or agree to use during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

The effect of this resolution is to provide shareholder consent to the issue of the shares, and for the issue of shares to fall within an exception to Listing Rule 7.1, which will therefore allow the Directors to issue these shares without using the Company's annual 15% placement capacity.

Coalworks is currently the largest shareholder in the Company, holding approximately 29% of the issued capital. Coalworks has announced (by ASX market Release dated 15 June 2012) that it will distribute by way of a special dividend to its own shareholders at a Record Date of 26 June 2012, all of the securities it holds in Orpheus Energy Limited, subject to ASX granting the Company a waiver from Listing Rule 9.7.

Shares issued by the Company pursuant to this resolution will form part of the special dividend to be paid by Coalworks to its shareholders on a pro-rata basis. The dividend is expected to be paid immediately following approval of this resolution.

Whitehaven Coal Limited has also agreed to place its un-escrowed shareholding in Orpheus Energy Limited through BBY Limited.

Information Required by ASX Listing Rule 7.3

The following information in relation to the shares is provided to shareholders for the purposes of ASX Listing Rule 7.3:

- a) The maximum number of shares to be issued is 18,181,080;
- b) The shares will be issued by 17 September, 2012
- c) The shares are to be issued at \$0.13 per share;
- d) The allottee is Coalworks Limited;
- e) The shares will be fully paid on issue and rank equally in all aspects with all existing ordinary shares previously issued by the Company;
- f) The Company intends to issue the shares in full satisfaction of its liabilities pursuant to the Note and any accrued interest; and
- g) The date of allotment will be not later than 20 September, 2012.

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

Resolution 5: Approval of 10% Placement Facility

5.1 General

ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of their issued capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 5.2(c) below).

As disclosed in the Company's recent quarterly activities report, the Company continues actively investigating the acquisition of new resources, assets and investments. The Company may use the 10% Placement Facility to acquire new resources assets or investments.

The Directors of the Company believe that Resolution 5 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

5.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue six classes of Equity Securities, being Ordinary shares, Ordinary shares subject to an escrow restriction expiring on 17 August 2013, Convertible Notes, unlisted Options exercisable at 20 cents on or before 30 September 2014 (restricted until 17 August 2013), unlisted Options exercisable at 25 cents on or before 4 August 2014 (restricted until 17 August 2013) and unlisted Options exercisable at 20 cents on or before 30 September 2014. The number of each class of Equity Securities is set out in the table below:

Security	Number on issue
Ordinary Shares	112,294,839
Ordinary Shares, escrowed to 17 August 2013	19,780,352
Convertible Note, convertible on 31 December 2014	Convertible into 8,800,000 Shares at 25c/share
Unlisted options, 20c expiry 30 September 2014, restricted until 17 August 2013	12,750,000
Unlisted options, 25c expiry 4 August 2014, restricted until 17 August 2013	1,000,000
Unlisted options, 20c expiry 30 September 2014	1,175,000

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

- (A) Plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) Plus the number of partly paid shares that became fully paid in the 12 months;
- (C) Plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval;
- (D) Less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 132,075,191 Shares and therefore has a capacity to issue:

- (i) 19,811,279 Equity Securities under Listing Rule 7.1 (subject to approval of resolutions 3 and 4; and
- (ii) Subject to the Shareholder approval being sought under Resolution 7, 13,207,519 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 5.2(c) above)

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) The date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) If the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) The date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) The date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

Or such longer period if allowed by ASX (**10% Placement Period**).

5.3 Listing Rule 7.1A

The effect of Resolution 5 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

5.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
 - (i) The date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) If the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
 - (i) The market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) The Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of the consideration for the acquisition of a new asset;

Which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) Two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) Two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.055 50% decrease in Issue Price	\$0.11 Issue Price	\$0.22 100% increase in Issue Price
Current Variable 'A' 132,075,191	10% Voting Dilution	13,207,519 Shares	13,207,519 Shares	13,207,519 Shares
	Funds raised	\$726,414	\$1,452,827	\$2,905,654
50% increase in current Variable 'A' 193,112,787	10% Voting Dilution	19,811,279 Shares	19,811,279 Shares	19,811,279 Shares
	Funds raised	\$1,089,620	\$2,179,241	\$4,358,481
100% increase in current Variable 'A' 264,150,382	10% Voting Dilution	16,415,038 Shares	16,415,038 Shares	16,415,038 Shares
	Funds raised	\$902,827	\$1,805,654	\$3,611,308

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility
 - (ii) No Options (including any Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of Equity Securities;
 - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
 - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting;
 - (v) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1;
 - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (vii) The issue price is \$0.11, being the closing price of the Shares on the ASX on 13 August 2012.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking)).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) Non-cash consideration for the acquisition of new resources and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) Cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) The methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- (ii) The effect of the issue of the Equity Securities on the control of the Company;
- (iii) The financial situation and solvency of the Company; and
- (iv) Advice from corporate, financial and broking advisors (if available).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources, assets or investments, it is possible that the allottees under the 10% Placement Facility may include vendors of the new resources, assets or investments.

- (e) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.
- (f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class or existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in this Notice.

Schedule 1 – Definitions

In this Notice and the Explanatory Memorandum:

\$ means Australian Dollars.

10% Placement Facility has the meaning given in Section 5.1.

10% Placement Period has the meaning given in Section 5.2.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect of the financial year ended 30 June 2012.

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

ACN 121 257 412

FOR ALL ENQUIRIES CALL:
(Within Australia) 1300 737 760
(Outside Australia) +61 2 9290 9600

FACSIMILE:
+61 2 9290 9655

ALL CORRESPONDENCE TO:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia



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 on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

Reference Number:

Please note it is important you keep this confidential.

YOUR VOTE IS IMPORTANT

**FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE
11:00 am WEDNESDAY 12th SEPTEMBER 2012**

**TO VOTE
ONLINE**



STEP 1: VISIT www.boardroomlimited.com.au/vote/orpheusagm2012

STEP 2: Enter your holding/Investment type

STEP 3: Enter your Reference Number and VAC:

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1: Appointment of Proxy

Indicate here 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.

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.

Appointment of a Second Proxy

You are entitled to appoint up to two 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 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

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in 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 voting rights are to be voted on any item by inserting the percentage or number of securities 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 your vote on that item will be invalid.

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 must 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 must be signed by that person.

Please indicate the office held by signing in the appropriate place.

STEP 4: Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at **11:00am on Friday 14th September 2012**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged using the reply paid envelope or:

BY MAIL

Share Registry – Boardroom Pty Limited
GPO Box 3993, Sydney NSW 2001 Australia

BY FAX

+ 61 2 9290 9655

IN PERSON

Share Registry – Boardroom Pty Limited
Level 7, 207 Kent Street, Sydney NSW 2000 Australia

ONLINE

Vote online at:

www.boardroomlimited.com.au/vote/orpheusagm2012
or turnover to complete the Form

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

STEP 1 - Appointment of Proxy

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

the Chairman of the Meeting (mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

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 Radisson Blu Plaza Hotel Sydney, 27 O'Connell Street, Sydney, New South Wales 2000 Australia on Friday 14 September 2012 at 11:00 am** 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 Resolution 1, Adoption of Remuneration Report. You are encouraged to direct your proxy by marking the box in relation to the resolution in the section below.

STEP 2 - Voting directions to your Proxy – please mark **X** to indicate your directions

Ordinary Business

	For	Against	Abstain*
Resolution 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of a director, Anthony Meacham King	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Ratification of Previous Issue of Shares under Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of proposed Issue of Shares pursuant to repayment of Convertible Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intentions advised above, 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 3 - PLEASE SIGN HERE

This section **MUST** be signed in accordance with the instructions overleaf 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: / / 2012