



ORPHEUS ENERGY LIMITED
(ACN 121 257 412)

EXPLANATORY MEMORANDUM

Incorporating Notice of Annual General Meeting and Proxy Form

to be held on

Friday 7th of November, 2014 at 1pm AEDT

at

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

This Explanatory Memorandum is dated 30th of September 2014

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 in the Boardroom of Orpheus Energy Limited, Level 12, 179 Elizabeth Street, Sydney, New South Wales 2000 Australia at 1:00pm AEDT on Friday, 7th of November 2014 (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 2014 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 2014 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 2014 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.

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, David Smith

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

2. "That David Smith, 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 Approval of conversion of Directors' debt into equity

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

3. "That approval is given for the debt owed to Orpheus Directors resulting from unsecured loans provided by Directors, be converted into 18,000,000 fully paid shares of Orpheus Energy Limited, as outlined in the Explanatory Memorandum."

Voting Exclusion Statement

In accordance with the ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolutions 3 by Wayne Mitchell, David Smith, Wesley Harder and Michael Rhodes and an associate of those persons. However the entity need not disregard a vote if:

- it is cast by a person as 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.

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 2001
Facsimile: +61 2 9290 9655 OR
Online: www.votingonline.com.au/orpheusagm2014

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 votes 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 7:00pm AEDT on Wednesday, 5th of November, 2014. 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
Company Secretary
Dated: 30 September 2014

ORPHEUS ENERGY LIMITED
(ACN 121 257 412)

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 7th of November 2014. 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 2014 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 2014 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 2014. 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).

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

Resolution 2: Re-election of a director David Smith

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

Mr Smith is Executive Director and Company Secretary of Orpheus Energy Limited. He was a co-founder of the Company and has served as a Director since its inception.

Mr Smith was previously an investment banker of 15 years' experience, and was most recently at BBY Limited until 2011, where he was Head Equity Capital Markets and a member of the group's Executive and Risk Management Committees. Prior to BBY he worked at JPMorgan Chase and Ord Minnett.

With an extensive background in advising companies across all sectors, but particularly in resources, Mr Smith was a founder and former Executive Director of ASX listed coal company Coalworks Limited, which was acquired by Whitehaven Coal for ~\$200m in June 2012.

Mr Smith is also a Non-Executive Director of Raw Capital Partners Holdings Limited, a Guernsey based, boutique international Asset Management business. He is also a founder and Director of a number of private companies in the property, recruitment and jewellery sectors with a focus on new technology and e-commerce.

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

Resolution 3: Approval of conversion of Directors' debt into equity

Resolution 3 relates to the approval of conversion of outstanding unsecured debt owed to Orpheus Directors into 18,000,000 Fully Paid Ordinary Shares at \$0.03 cents per Share, as detailed in the table below.

Director	Loan Amount	New Shares to be Issued (@ \$0.03)
Wayne Mitchell	\$225,000	7,566,666
David Smith	\$225,000	7,566,666
Wesley Harder	\$45,000	1,433,334
Mike Rhodes	\$45,000	1,433,334
TOTAL	\$540,000	18,000,000

As announced in the June Quarterly Activities Report, and also in the Company's Half-Year Report, Orpheus Directors provided loans in the sum of \$450,000 for working capital cover during the period of the Indonesian asset sales process. Additionally, in early September, Directors provided a further \$70,000 in loans to the Company. Therefore, the total outstanding loans to Directors, including applicable discounted interest will be \$540,000 as at the date of the Company's AGM, to be held on Friday 7 November 2014.

If approved, the conversion will result in the extinguishment of this debt, that otherwise would have to be repaid on receipt of funds from the recently shareholder approved Indonesian asset sales. This will reduce the Company's overall debt to \$728,000, and furthermore, allow the Company to more readily direct all resources to growing Orpheus through carefully identifying and transacting on new value-adding projects. It will also further strengthen the alignment of Directors with all shareholders as their individual equity levels in the Company will increase as a result of the debt conversion. Overall dilution to shareholders on a fully diluted basis will be ~11.98%. The table below details the resultant increase in Directors' beneficial equity in the Company if the Resolution is approved.

Director	Total Shares pre-conversion	Total Shares post-conversion
Wayne Mitchell	5,424,157	12,990,823
David Smith	22,524,015	30,090,681
Wesley Harder	1,701,243	3,134,577
Mike Rhodes	70,000	1,503,334
TOTAL	29,719,415	47,710,415

The pricing of the shares proposed to be issued is at a premium to the 90 day, 30 day and 10 day Volume Weighted Average Prices (VWAP) of OEG shares traded on the ASX up to the day prior to the release of this Notice of Meeting:

90 day	0.0287
30 day	0.0285
10 day	0.0258

Following approval of this resolution by shareholders it is intended to issue these shares on Monday 10 November 2014.

Voting exclusion statement

In accordance with the ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolutions 3 by Wayne Mitchell, David Smith, Wesley Harder and Michael Rhodes and an associate of those persons. However the entity need not disregard a vote if:

- it is cast by a person as 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.

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 2014.

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:

- 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
- 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 spouse or child of the member; or
- 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.



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, 5th of November, 2014.**

TO VOTE ONLINE

STEP 1: VISIT www.votingonline.com.au/orpheusagm2014

STEP 2: Enter your holding/investment type:

STEP 3: Enter your Reference Number:

STEP 4: Enter your VAC:

PLEASE NOTE: For security reasons it is important you keep the above information confidential.

BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

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 Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair 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 Chair 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:

- (a) 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.
- (b) 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, 5th of November, 2014.** 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.votingonline.com.au/orpheusagm2014
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.

Orpheus Energy Limited

ACN 121 257 412

☐

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 (Company) and entitled to attend and vote hereby appoint:

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the Chair of the Meeting (mark box)

OR if you are NOT appointing the Chair 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 Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the Boardroom of Orpheus Energy Limited, Level 12, 179 Elizabeth Street, Sydney, NSW 2000 at 1:00pm AEDT on Friday, 7th of November, 2014 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 for Resolution 1. You are encouraged to direct your proxy by marking the box in relation to Resolution 1 in Step 2 below.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 2 and 3.

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	☐	☐	☐
Resolution 2	To Re-elect Mr David Smith as a Director	☐	☐	☐
Resolution 3	Approval of Conversion of Directors' Debt into Equity	☐	☐	☐

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 / / 2014