



30 November 2015

**ORPHEUS ENERGY ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS**

Dear Fellow Shareholders,

The last year has continued an extremely challenging period for your Company.

Debt Recovery Update

On 1 July 2014, Orpheus advised it had signed agreements with Mr Nugroho Suksmanto, PT Mega Coal and related parties regarding the sale of these Indonesian assets for total proceeds of approximately US\$8.2million to be effected by the sale of OEG's 51% equity in six entities, namely PT Daya Mega Citra and PT Daya Mega Pelita (Papua tenements), Pt Pelita Dian Petangi (B3), PT Pelita Kharisma Kenanga (B4) PT Alam Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP).

The original JV Agreements Orpheus Energy entered into with Suksmanto and PT Mega Coal since 2011 for each project, specifically provided for the potential repayment of funds expended by Orpheus in acquiring and developing those projects introduced by Suksmanto and PT Mega Coal. At the time, Orpheus Directors deemed it prudent to negotiate such provisions to protect shareholders' interests should the projects not turn out to be of sufficient quality to proceed in a profitable manner. As it transpired, none of the aforementioned projects had performed in a manner that gave Orpheus Directors confidence to proceed further, and accordingly, Suksmanto and PT Mega Coal honoured the original JV agreements and agreed to the sale back of these assets.

On 30 March 2015, Orpheus announced, that after exhaustive negotiations with Suksmanto since the announced and shareholder approved sale of Orpheus's Indonesian assets in August 2014, and despite innumerable promises, none of the outstanding funds had yet been paid by Suksmanto to Orpheus and its group.

Consequently, the Orpheus board decided the Company had no choice but to initiate bankruptcy proceedings against Suksmanto to recover all outstanding funds. Orpheus instructed its lawyers, Hadiputranto, Hadinoto & Partners, a member firm of Baker & McKenzie International, to lodge the bankruptcy petition in the Jakarta Commercial Court at the Central Jakarta District Court, on Thursday 26 March 2015.

As announced on 30 July 2015, Orpheus agreed to a Settlement Agreement with Suksmanto, whereby Suksmanto was required to make a total payment of 70 billion Rupiah (~AUD\$7M) to

Orpheus. Payment in the amount of 20.8 billion Rupiah (~AUD\$2.08M) was due by 31 August 2015, as part of the overall 70 billion Rupiah owing.

As part of the Settlement Agreement, Orpheus was provided with additional security from Suksmanto's family (Noegroho Pranoto and Yohana Kurniastuti), in the form of a pledge agreement over 1,073 shares (equivalent to 7%) owned by Noegroho Pranoto in Indonesian property development company, PT Abadi Guna Papan ("AGP") and a pledge agreement over 578 shares (equivalent to 3.5%) owned by Yohana Kurniastuti in AGP. Among numerous developments, AGP owns the 28-storey office building where Orpheus's Jakarta office is located in the Mega Kuningan CBD area.

On that basis, Orpheus withdrew the bankruptcy petition in the Central Jakarta Commercial Court. However, the settlement agreement explicitly provides for Orpheus to re-initiate legal action or arrange for the sale of the 10.5% equity in AGP, should Suksmanto default on the repayments.

As announced on 23 September 2015, Orpheus Energy presented post-dated cheques provided by Nugroho Suksmanto, amounting to 20.8 billion Rupiah (~AUD\$2.08M) to the bank in Indonesia, on three separate occasions, five working days apart, as required by Indonesian law, and on each presentation the bank advised there were insufficient funds to honour the cheques. As the cheques were not able to be honoured, Suksmanto was in breach of the Settlement Agreement.

Suksmanto is still to pay any of the outstanding funds owed to Orpheus.

Given Suksmanto's continuing breach of the Settlement Agreement, Orpheus, as the pledgee under the Shares Pledge Agreements is entitled to sell the pledged shares, on behalf of the pledgors based on powers of attorney to sell shares and consents to transfer issued by the pledgors, to recover the outstanding funds owed to Orpheus.

An independent valuation report on the AGP property portfolio was completed, valuing the security held by Orpheus far in excess of the amount owed to Orpheus. The Company is in ongoing negotiations with various parties to acquire the equity in AGP, including an International real estate services company to either sell the assets, or shares in PT AGP.

Reverse take-over update

Orpheus is progressing its strategy of a reverse take-over of a profitable software services company.

The software services company is in the process of completing its annual audit, afterwhich it is envisaged that a binding Share Purchase Agreement will be executed by Orpheus and the RTO target company, which will be subject to final due diligence, Board approval and any regulatory approvals.

Full details of the proposed transaction will then be shared with all Orpheus shareholders.

The ASX has advised in response to the Company's application for in-principle advice that given the nature and scale of the Company's business will change if the reverse-takeover is carried out, the Company is required to re-comply with Chapters 1 and 2 of the Listing Rules and seek member approval to carry out the reverse-takeover. Further, the ASX has advised that Orpheus will remain suspended until this is satisfactorily completed.

Conclusion

We continue diligently with concerted efforts to recover the still outstanding funds from Suksmanto, and with the reverse takeover process.

The Company has successfully reduced cash-burn such that the only outgoings are ongoing regulatory and listing expenses required to maintain the Company's listing.

The past twelve months have been extremely difficult for shareholders, your directors and management, and I want to thank everyone for the ongoing support.

Wayne Mitchell

Executive Chairman

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Disclaimer – Forward looking statements

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