

3 November 2016

ORPHEUS ENERGY ANNUAL GENERAL MEETING

Chairman's Address

Dear Fellow Shareholders

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

Over the last year, the Company has focused on two main activities: (a) proceeding with an alternative asset acquisition strategy to allow Orpheus to get re-listed; and (b) collecting approximately A\$7M owed by Nugroho Suksmanto.

Alternative asset acquisition strategy

From the middle of 2015, Orpheus had been diligently progressing with the proposed acquisition of Wavetronic Solutions Private Ltd ("Wavetronic") and had formally entered into a Share Purchase Agreement on 12 February 2016, with the vendors to acquire 100% of the issued capital of Wavetronic in consideration for the issue of shares and options in Orpheus. While the due diligence process and work continued on the Notice of Meeting to Shareholders and the Prospectus for the proposed \$4M Share Purchase Plan, Orpheus had to announce in March and April 2016, that there had been delays experienced in the process.

In July 2016, Orpheus announced that it had been advised by Wavetronic that there was continuing internal restructuring occurring, resulting in further delays. Since then, Orpheus has been waiting for formal advice and details from Wavetronic, as to the completion of its restructuring process, so that a new proposed transaction can be considered.

As advised in the September 2016 Quarterly Report, Orpheus has also been receiving approaches regarding other potential backdoor listing opportunities, which are being considered by the Board, for presentation to shareholders, when and if one of the opportunities sufficiently progresses.

Discussions and due diligence regarding three such opportunities has progressed, and the Board now awaits proposals from these companies for detailed consideration by the Board, for presentation to shareholders of a preferred option for Orpheus to acquire in an RTO process.

Debt Recovery Update

Nugroho Suksmanto is still to pay any of the outstanding funds owed to Orpheus and he remains in breach of the Settlement Agreement. Over the last 12 months, Orpheus has continued to relentlessly pursue collections via the Indonesian legal system, daily personal communications, and ongoing attempts to sell his real estate assets, and our pledged shares over his real estate company.

As announced on several occasions, as part of the Agreement, Orpheus was provided with additional security in the form of a pledge over 10.5% of the shares equity in a real estate company, PT Abadi Guna Papan ("AGP"), in which Suksmanto has a controlling interest.

Given Suksmanto's continuing breach of the 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.

Additionally, Suksmanto continues to advise Orpheus that he is in advanced negotiations to sell a number of his other properties (separate to the properties owned by AGP), and if any of these sales eventuate, Orpheus will be paid a large portion of the outstanding amount owed.

Notwithstanding this activity, Orpheus instructed its lawyers to commence the lodgement of a formal Police Report. This complex legal process continues, involving further extensive documentation, formal interviews by the Police with the parties involved and letters being sent.

As advised in the September 2016 Quarterly Report, Orpheus is now in advanced negotiations with a potential acquirer of the shares, and Orpheus will update shareholders if and when a transaction is successfully completed.

Conclusion

Your Board will continue to tirelessly pursue the outstanding funds owed by Suksmanto, while concurrently progressing with an alternate asset strategy that ultimately is in the best interests of all shareholders.

Finally, I want to thank everyone for their ongoing support and patience as we move through this extremely challenging period for the company.



Wayne Mitchell
Executive Chairman

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