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The Manager
Company Announcements
Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ORCHID SIGNS MEMORANDUM OF UNDERSTANDING TO ACQUIRE PETROLEUM PROSPECTING LICENCES IN PAPUA NEW GUINEA – PLANS TO CONVERT TO AN OIL AND GAS COMPANY

KEY POINTS

- Orchid Capital Ltd (ASX: ORC - “**the Company**” or “**Orchid**”) has entered into a binding Memorandum of Understanding (“**MOU**”) with Indo Pacific Energy Pty Ltd (“**IPE**”) and its shareholders to acquire a 100% interest in IPE and its wholly owned subsidiary PNG company, Coral Sea Petroleum Ltd (“**CSP**”).
- IPE / CSP have acquired a 100% interest in five Petroleum Prospecting Licences (**PPL**) in PNG covering an area of approximately 11,500 square kilometres (“**PNG Projects**”).
- Four of these blocks lie within the Papuan Basin, a proven oil & gas producing petroleum province that hosts the PNG LNG Project. All four blocks are located close to existing export infrastructure and the PNG LNG project pipeline route.
- Two of the four blocks, PPL 366 & 367, are contiguous and their north-east corner is only 20km south of the Barikewa Gas discovery and the nearby PNG Highlands oil & gas pipelines. These blocks represent an inadequately tested segment of the Papuan Basin Petroleum Province. It is intended that the petroleum potential of these blocks will initially be investigated by reprocessing existing, and acquiring new, seismic data.
- The fifth block occupies 5,832km² in the under-explored frontier Cape Vogel Basin where oil & gas indications have been reported yet remain to be substantiated. If a viable petroleum system is proven, and viable traps identified, then this block is large enough to host significant potentially prospective resources.
- The parties are to enter into a Fundraising Agreement, Purchase Agreement and Loan Agreement to expand on the terms agreed in the MOU.

- Approximately 51% of the shares to be issued by Orchid to a nominee shareholder for the acquisition of IPE will be issued to certain entities related to Mr Yosse Goldberg and Mr Domenic Martino, both of whom will be appointed as Directors of Orchid on completion of the transaction. Approximately 20% of the shares will be issued to Mr Chris Haiveta, who will be appointed as Chairman on completion of the transaction, as consideration for the acquisition of his shares in IPE.
- The transaction is subject to due diligence by all parties and all regulatory and shareholder approvals. This includes approval by Orchid shareholders under Chapter 11 of the Listing Rules for a change of activities and re-compliance by Orchid with Chapters 1 and 2 of the Listing Rules.
- On completion of the transaction, Orchid plans important changes to its board of Directors ("**Board**").

Mr Chris Haiveta will be appointed as Chairman. Mr Haiveta is a leading personality in PNG's government with 29 years in various important positions, including Minister for Mines, Petroleum and Energy, Labour and Employment, Fisheries, and Finance and Planning, Leader of the Opposition, Deputy Prime Minister and at times acting Prime Minister during a period of major resource project awards and implementation. As Governor he represented PNG on the World Bank, IMF and Asian Development Bank Boards, the EU Programme in PNG, and as the Deputy Chairman of the joint IMF-World Bank annual meetings in 1996. He oversaw the corporatisation of much of PNG's Statutory Organisations including Post PNG, Telicom, Pangtel Air Nuiguini, PNG Ports, Eda Ranu, 'B Mobile', MRDC, Orogen Minerals, government holdings in the Ok Tedi mine through a sustainable development company, PNGBC, Investment Corporation and Agriculture Bank and he enacted the Public Finances Management Act and Regulations of 1995.

- Mr Yosse Goldberg and Mr Domenic Martino will be appointed as non-executive Directors. Mr Goldberg is a career director with over 30 years extensive experience in creating, financing, operating and managing listed resources companies in Australia and overseas. Mr Martino has over 20 years of experience in accounting, corporate finance and corporate restructuring fields and is currently a director of a number of mining and mining services companies.
- It is proposed that Dr John Warburton will be appointed as Chief Executive Officer but not as a director of Orchid. This appointment is currently under negotiation and upon agreement, his appointment would become effective after completion of the transaction. Dr Warburton has nearly 30 years of experience in geoscience and exploration management positions in the petroleum industry and has run his own petroleum exploration consultancy since 2004. These positions have seen Dr Warburton gain

experience in PNG, West Africa, Middle East, Australia, South East Asia, China and Europe.

- Further biographical details are available under the section entitled "Key Personnel".
- The Board plans to build a larger team of experienced oil and gas experts following completion of the transaction and plans to announce such appointments in due course.

ACQUISITION OF INDO PACIFIC ENERGY PTY LTD

Orchid is pleased to announce that it has entered into a binding MOU to acquire 100% of IPE and its 100% owned subsidiary CSP for the issue of 220 million ordinary shares in the Company. On completion of the transaction, this is expected to represent 54.9% of the issued share capital of Orchid (400,643,756 ordinary shares) before the Initial Capital Raising (defined below) and 51.4% afterwards (427,643,756 ordinary shares).

A total of 135 million of the 220 million Orchid shares to be issued by Orchid to IPE shareholders for Orchid's acquisition of IPE will be issued to Mr Chris Haiveta, Mr Yosse Goldberg and Mr Domenic Martino, or entities related to them – 45 million Orchid shares to Mr Chris Havieta, 45 million Orchid shares to an entity related to Mr Yosse Goldberg and 45 million Orchid shares to an entity related to Mr Domenic Martino.

Purchase Agreement

The material terms of the Purchase Agreement are to include:

- Orchid will acquire all the issued capital in IPE (and its wholly-owned subsidiary CSP) ("**IPE Shares**") for the issue of 220 million ordinary shares, such shares to be escrowed for a period of 24 months. Orchid will not issue any further ordinary shares for the acquisition of IPE with respect to any other project acquired by IPE within 12 months after completion.
- The Purchase Agreement is subject to the parties being satisfied with their respective due diligence investigations on or before 31 March 2011 or such later date as is agreed to by the parties.
- The IPE directors and managers will not engage in any form of competing business with the PNG Projects or businesses with a potential conflict of interest with respect to the PNG Projects, other than the specified interests and their associated entities or which are later agreed between the parties as non-competing businesses.
- IPE and Orchid directors and managers are to be restricted from using IPE's intellectual property and any confidential information if any such director or manager leaves the relevant company.

- Completion under the Purchase Agreement is subject to and conditional upon:
 - the parties obtaining all necessary regulatory, third party and shareholder consents and approvals, including but not limited to such approvals as are required by Orchid under the Listing Rules and the Corporations Act 2001 (Cth) ("**Corporations Act**") to approve:
 - the acquisition of the IPE Shares by Orchid and the issue of the 220,000,000 shares, including pursuant to section 208 and if necessary pursuant to item 7, section 611 of the Corporations Act;
 - the issue of Orchid Shares under the Initial Capital Raising (defined below);
 - the change in Orchid's activities for the purposes of Listing Rule 11.1;
 - any consolidation by Orchid of its capital in order for Orchid to re-comply with Chapters 1 and 2 of the Listing Rules;
 - the issue of any further Orchid shares required for Orchid to re-comply with Chapters 1 and 2 of the Listing Rules; and
 - the proposed change of name from Orchid to 'Coral Sea Petroleum Limited'; and
 - o the lodgement of a prospectus by Orchid with ASIC pursuant to Chapter 6D of the Corporations Act and with the ASX with respect to any capital raising required by Orchid in order to re-comply with Chapters 1 and 2 of the Listing Rules ("**IPO Capital Raising**");
 - o successful completion of the Initial Capital Raising and the IPO Capital Raising;
 - o ASX issuing a letter to Orchid confirming that it will re-instate the quotation of Orchid's securities after conclusion of the transaction upon satisfaction of Chapters 1 and 2 of the Listing Rules on terms acceptable to Orchid;
 - o other than with respect to any issue of shares on exercise of options on issue at the date of the MOU, no further securities, including in the form of shares or options, being issued in Orchid without the prior written consent of IPE and the shareholders other than as permitted pursuant to the Purchase Agreement; and
 - o the execution by the parties of the Fundraising Agreement and the Loan Agreement.

Loan Agreement

Orchid agrees to lend IPE such funds as are requested by IPE prior to completion up to a maximum of \$1 million or any higher amount agreed by the parties. Prior to disbursement of such funds, all necessary contracts between the relevant parties must have been signed, with the only approvals to be outstanding at completion being those within the responsibility of Orchid.

The material terms of the Loan Agreement are to include:

- IPE must submit a cash drawdown budget for any loan request which must be approved by the Board prior to the funds being released;
- the loan funds shall be used by IPE to progress the transaction and/or to conduct exploration or other activities in respect of the PNG Projects, including but not limited to overheads associated with the PNG Projects;
- no interest is payable on the loan funds, except with respect to the first \$250,000 that is advanced, at a rate of 12%;
- the loan funds are repayable on completion of the transaction or 5 years, whichever is the later; and
- IPE will grant in favour of Orchid a floating charge over the assets of IPE as security for the repayment of the loan funds.

Fundraising Agreement for the Initial Capital Raising

The Company will raise \$675,000 by way of placement of shares at \$0.025 cents each ("**Initial Capital Raising**"). This will mean that, on conclusion of the transaction, the Company will have total available cash in excess of \$2.05 million (depending on the loan disbursements made by Orchid to IPE and the rate that cash is expended by Orchid as a current going concern) to finalise the acquisition and to commence work on the PNG Projects.

The parties are to enter into a Fundraising Agreement whereby a nominee IPE shareholder holding approximately 80% of the IPE shares, or its nominee, agrees to underwrite the Initial Capital Raising for a fee of 6%. The Fundraising Agreement will be subject to and conditional on the parties obtaining all necessary regulatory, third party and shareholder consents and approvals.

Capital Structure

The table below details Orchid's current capital structure and its proposed capital structure after completion of the transaction and also after the Initial Capital Raising (on a pre-consolidation basis).

	Current	After Completion of Transaction / Before Initial Capital Raising	After Completion of Initial Capital Raising
Shares on issue	180,643,756	400,643,756	427,643,756
Options on issue	99,255,521	99,255,521	99,255,521

Indicative Transaction Timetable

Set out below is an indicative timetable of the key events and dates comprising the proposed transaction.

Execution of MOU	11 March 2011
Completion of Due Diligence	31 March 2011
Execution of Purchase Agreement, Fundraising Agreement and Loan Agreement	15 April 2011
Dispatch Notice of Meeting Seeking Approval for Transaction	16 May 2011
Lodgement of Prospectus with ASIC	7 June 2011
Suspension of Trading	16 June 2011 (pre-trading)
General Meeting to Approve Transaction and Change in Nature and Scale of Activities	16 June 2011
Consolidation of Orchid's Capital	June 2011
Closing Date of Offer for IPO Capital Raising under the Prospectus	21 June 2011
Settlement of Transaction and Allotment of Shares under the Prospectus	24 June 2011
Suspension of Trading Lifted and Trading Commences Again	28 June 2011

* These dates are indicative only and subject to change. The Directors reserve the right to amend the timetable without prior notice and subject to compliance with the Listing Rules.

ABOUT IPE

IPE's wholly owned subsidiary CSP has been granted five PPLs (PPL 356, PPL 357, PPL 358, PPL 366 and PPL 367) in PNG covering an area of approximately 11,500 square kilometres.

IPE plans to be an international oil and gas producer initially through successful exploration in extensions of known commercially proven plays in PNG and Irian Jaya. On the PNG side of the border, the proven Jurassic & Cretaceous exploration plays in the Papuan Basin are well constrained and export infrastructure is both well established and expanding by virtue of the advancing PNG LNG Project.

In addition, IPE will screen and invest judiciously in a small number of under-explored frontier regions that have the potential to contain viable petroleum systems. In the event of success then these areas would expose IPE to substantial prospective resources.

IPE's staff has extensive experience in international oil exploration and production including in PNG. In spite of the intensified level of activity in PNG in recent years PNG remains a very attractive country to explore for oil and gas. Incentive terms introduced in 2003 remain in place and the PNG Projects will be issued under these terms unlike current producers whose PPLs predate 2003.

The oil play in the foreland of PNG is entering a new era with companies like Sasol Limited and Talisman Energy Inc. ("**Talisman**") entering the exploration business and although all the excitement of the larger organizations is focused on gas, very significant associated liquid streams are expected to be discovered. As liquids offer the quickest and shortest path to payback and positive cash flow, IPE's focus is on liquids and thus the PPLs have been selected with that in mind.

PNG PROJECTS

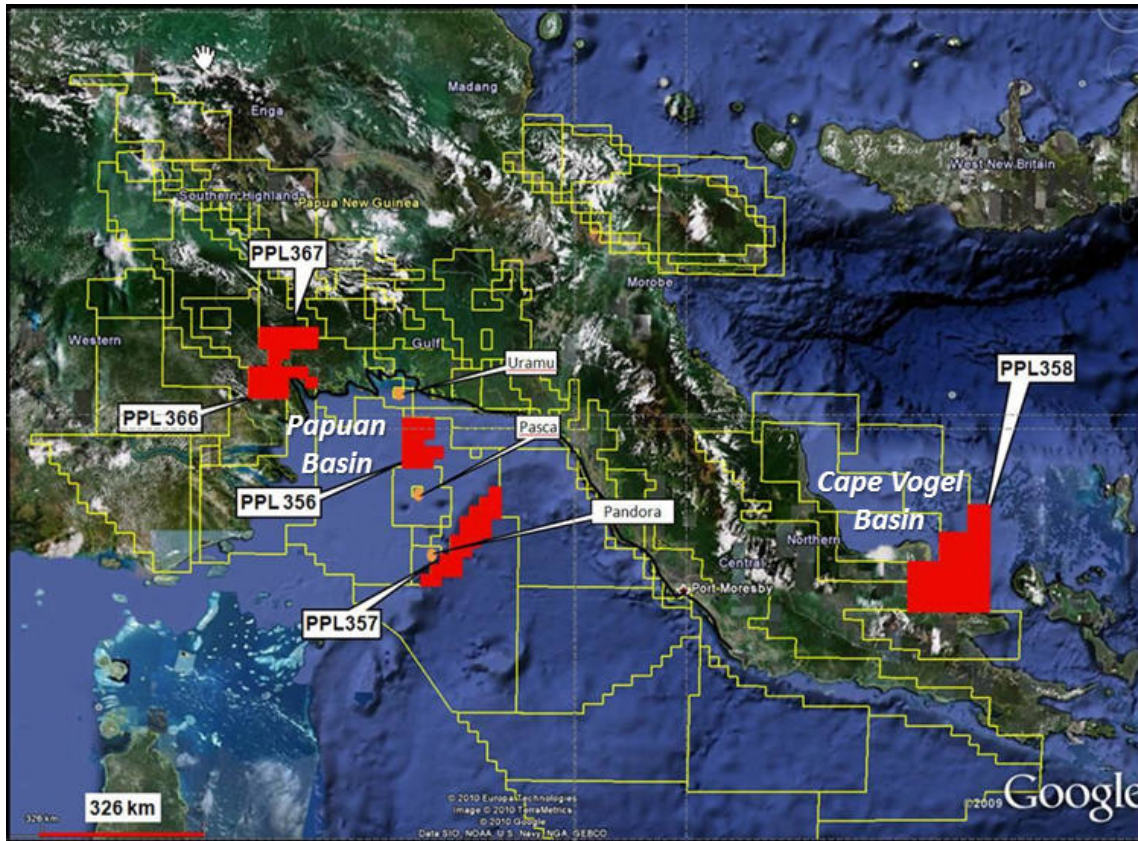


Figure 1: Topographic map showing permit locations (Source Google Earth, GPinfo)

- IPE's 100% interest in five PPLs in PNG (PPL 356, PPL 357, PPL 358, PPL 366 and PPL 367 shown in Figure 1 covering an area of approximately 11,500 km²).
- Four of these blocks (PPL 356, 357, 366 and 367) lie within the Papuan Basin, a proven petroleum producing province with existing export infrastructure.
- Any Leads identified in the Papuan Basin blocks are likely to contain the same aerially extensive clastic reservoir formations that are currently under production at the Kutubu complex of fields and at South East Gobe ("**SE Gobe**"). All these fields are operated by Oil Search Limited ("**Oil Search**"). PPLs 366 & 367 are located 15-20 km east of the Panakawa oil seep and 20km south of the Barikewa Gas discovery. PPLs 366 & 367 are proximal to the existing export infrastructure.

- PPLs 356 & 357 are located close to the wet gas discoveries at Pasca and Uramu and also to the Kumul oil export terminal. The PNG LNG Project gas pipeline is planned to pass through PPL 356.
- PPLs 356 & 357 are adjacent to the Flinders Prospect in PPL 244. Flinders is located within the area covered by a 3D seismic survey completed in 2011 in PPL 244 and neighboring licences.

WHY PNG?

- PNG has the best fiscal terms in our region with low rates (approximately 31%) of government take.
- A proven Jurassic and Cretaceous oil and gas-prone petroleum system with excellent Jurassic and Lower Cretaceous reservoir development has been established.
- Existing production infrastructure is available to commercialise a successful discovery. Early production can also be established via Extended Well Test Legislation.
- Since 2003 the higher oil price has improved the value and economics for liquids-rich prospects off the PNG foreland.

Significant Recent Investments and Activities in PNG

- In December 2008, Nippon Oil Exploration Limited (through Merlin Petroleum Company) acquired AGL Energy's 3.6% interest in the PNG LNG Project in December 2009,
- Inter Oil Corporation announced Elk Antelope 2P reserves of 8 TCF and 160MMbbls condensate.
- In December 2009, ExxonMobil Corporation's Final Investment Decision for the PNG LNG Project.
- In 2009/10, Talisman purchased Rift Oil, farmed in to NGE's (New Guinea Energy Ltd) PPLs 268 & 269 and purchased 49% of PPLs 285, 286, 287 and 288.

CORPORATE OBJECTIVES AND EXPLORATION PHILOSOPHY

To be an oil and later a gas producer by:

- Focusing initially on low to moderate risk oil or wet gas-prone petroleum prospects and leads close to potential export infrastructure in PNG.

- Identifying and acquiring acreage at low capital exposure in a limited number of frontier basins where viable petroleum systems are indicated and where in the event of demonstrating such systems would expose IPE to substantial prospective resources.
- Identifying multiple independent hydrocarbon play concepts.
- Improving exploration outcome by combination of green fields prospects and acquisition of undeveloped discoveries.
- Exploiting liquids in wet gas accumulations for early cash flow.
- Minimising net drilling costs with:-
 - multi well drilling program,
 - locations supported by good access, and
 - farm out
- Acquiring oil and gas reserves for development in PNG and Papua Province, Indonesia.
- Maintaining a low overhead organization.

OIL AND GAS ASSETS

PPLs 366 & 367

The presence of multiple reservoir targets below regional sealing shales, including the Early Cretaceous to Jurassic Alene, Toro, Iagifu, Koi Iange and Magobu Formations, provides multiple potentially stacked exploration targets in PPL 366. The presence of proven reservoirs, source and seal elements indicates a low play risk in PPL 366. Trap definition and effectiveness therefore represent the principal components of exploration risk emphasising the importance of seismic imaging and skillful interpretation.

A variably spaced grid of 1970s vintage 2D seismic data exists in PPL 366 that provides a subsurface tie to the Goari-1 well located in the east of the block. Published cross sections based on seismic interpretation indicate that Goari-1 was drilled close to a significant fault (*Osborne, D.G. 1990. Petroleum Exploration in PNG, Proceedings of 1st PNG Petroleum Convention, page 197-293*). The well may therefore have failed to discover petroleum due to poor pre-drill trap definition and drilling off-structure.

The quality of the existing seismic data is fair but improvements will be sought through seismic reprocessing. Additional seismic data may be acquired after the reprocessing is completed to better constrain any Leads and to determine the reasons for failure of the Goari-1 and Turama-1 wells.

Subject to the results of the seismic reprocessing and possible acquisition, drilling could take place in PPL 366 during 2014 as per the Licence obligations.

Turama-1 was drilled with inadequate subsurface information at the northern termination of one of the original seismic lines. The Turama feature may therefore not have been adequately tested by the well given that the major associated topographic high is offset to the north and east. Further geological field work is required to investigate whether potential prospectivity exists up-dip from the Turama-1 well beneath the major topographic high. This is referred to as the Turama Lead.

Because the topographic high that defines the Turama Lead extends north-westwards across a block boundary, a cooperative approach with the neighboring licence holders will be investigated.

Seismic data will need to be acquired and interpreted to establish a prospect inventory, including the Turama Lead, prior to drilling. Existing data quality suggests that fair to good seismic data quality can be acquired in this onshore area although much of the northern segment of PPL 367 is characterised by karstified limestone topography. A joint exploration effort with the neighboring PPL holder would reduce the overall cost of seismic and drilling. Like PPL 366, drilling is not expected in PPL 367 until 2014.

PPLs 356 & 357

PPLs 356 & 357 are located close to the Uramu, Pasca and Pandora Gas Fields (Figure 2). These gas fields are contained within carbonate pinnacle reef reservoirs of Miocene age

which grew on basement blocks generated in the Eocene during the Coral Sea rifting (Figure 3).

Plays in PPLs 356 & 357 are likely to include tilted fault blocks characteristically bounded by antithetic extensional faults and overlain by Plio-Pleistocene age slope and basin-floor fans in the Pandora Trough (Figure 3). The adjacent PPL 244 Joint Venture has recently acquired a 3D seismic survey that includes the Flinders Prospect (Figure 2).

In the first 2 years of the licences IPE intends to reprocess the existing seismic data to focus on constraining the petroleum potential of the Miocene & Plio-Pleistocene stratigraphic plays as well as Jurassic and Cretaceous targets within the tilted fault blocks. Follow up seismic acquisition may be required and if so will most-likely be acquired in 2013 to constrain the location for an exploration well in 2014.

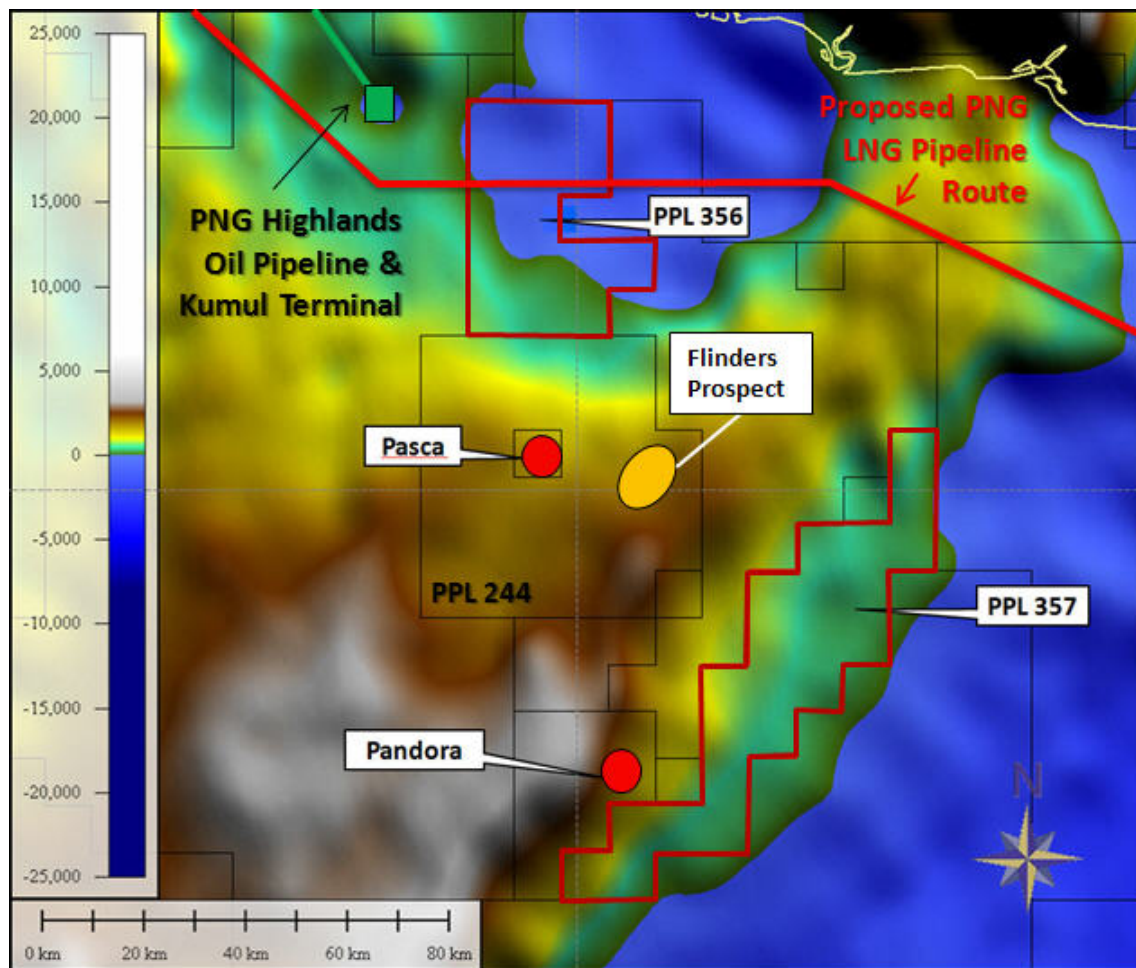


Figure 2: Location of PPL 356 & 357 on publicly available regional NOAA gravity map.

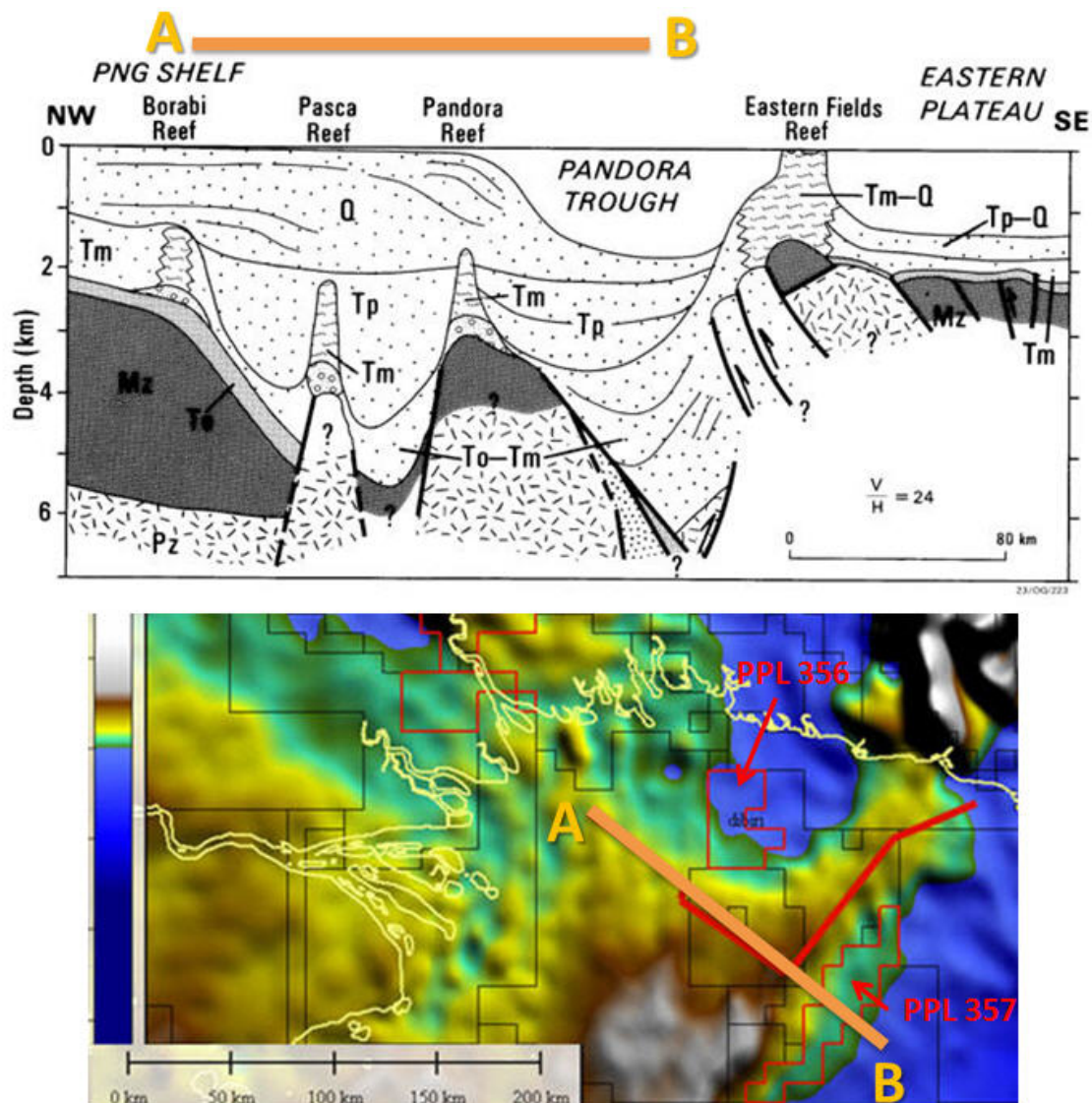


Figure 3: Schematic Geological Cross Section A-B, Gulf of Papua (*Geoscience Australia, Papuan Basin Cross section, www.ga.gov.au/oceans/ea_ppn_XS.jsp*)

PPL 358

PPL 358 is a large (5,832km²) licence in the under explored Cape Vogel Basin offshore the north New Guinea coast. Gravity and published seismic data demonstrate that the Goodenough-1 well was drilled on a relative intra-basin high and that it penetrated 2,835m of Late Oligocene to Recent basin fill without encountering basement (Figures 4 & 6).

Regional gravity data indicate that the basement deepens rapidly to the west of Goodenough-1 where it contains a thick sedimentary depo-centre within PPL 358 (Figures 4 & 5). The seismic pick for top basement in the northern portion of PPL 358 block indicates a depth greater than 5km indicating a substantial sediment thickness and the probability of thermal maturity sufficient for oil and gas generation (Figure 5). Oil and gas seepages have been noted in the past but such reports need to be substantiated.

Seismic reprocessing will aim to confirm the thickness of the basin fill. Basin-modeling will constrain the thermal maturity profile in the basin, the timing of petroleum generation and expulsion and the most-likely directions of petroleum migration.

The petroleum potential of the Cape Vogel Basin has seen limited assessment to date. Consequently the key elements of the petroleum system (source, reservoir and seal) as well as the presence of viable traps remain to be adequately quantified. The basin is therefore a frontier basin from a petroleum exploration perspective.

A very small number of petroleum exploration wells have been drilled in the vicinity of PPL 358 (Figures 4 & 5). **Kukuia-1, 2 and 3** were shallow wells drilled in the 1920's in essentially the same onshore location on the Cape Vogel Peninsula. Gas and light oil shows were reported in those wells but this needs to be confirmed and the significance assessed.

The **Nubiam-1** well is likely to have failed due to poor pre-drill trap definition or the lack of an effective shale top-seal given that Pleistocene carbonates were present immediately above the Late Miocene to Pliocene age potential reservoir sandstones (Figure 6).

The **Goodenough-1** well drilled in the 1970s encountered potentially sealing shales above Late Miocene age sandstones. As in Nubiam-1 it is essential to determine the reservoir potential of the sandstones (Figure 6). Given the presence of potential reservoirs and overlying cap-rocks it is inferred the well failed either due to poor source rock quality, ineffective petroleum migration or the drilling of an ineffective trap.

The Goodenough-1, Nubiam-1 and Kukuia wells require further investigation.

The Late Miocene age Ruaba sandstone reservoir target varies in thickness in the 50km between the Goodenough-1 and Nubiam-1 wells. This sandstone has been tentatively correlated with outcrops on the Cape Vogel Peninsula though the complex nature of the lithostratigraphic correlation between the Goodenough-1 and Nubiam-1 wells suggests a detailed sequence stratigraphic interpretation is required.

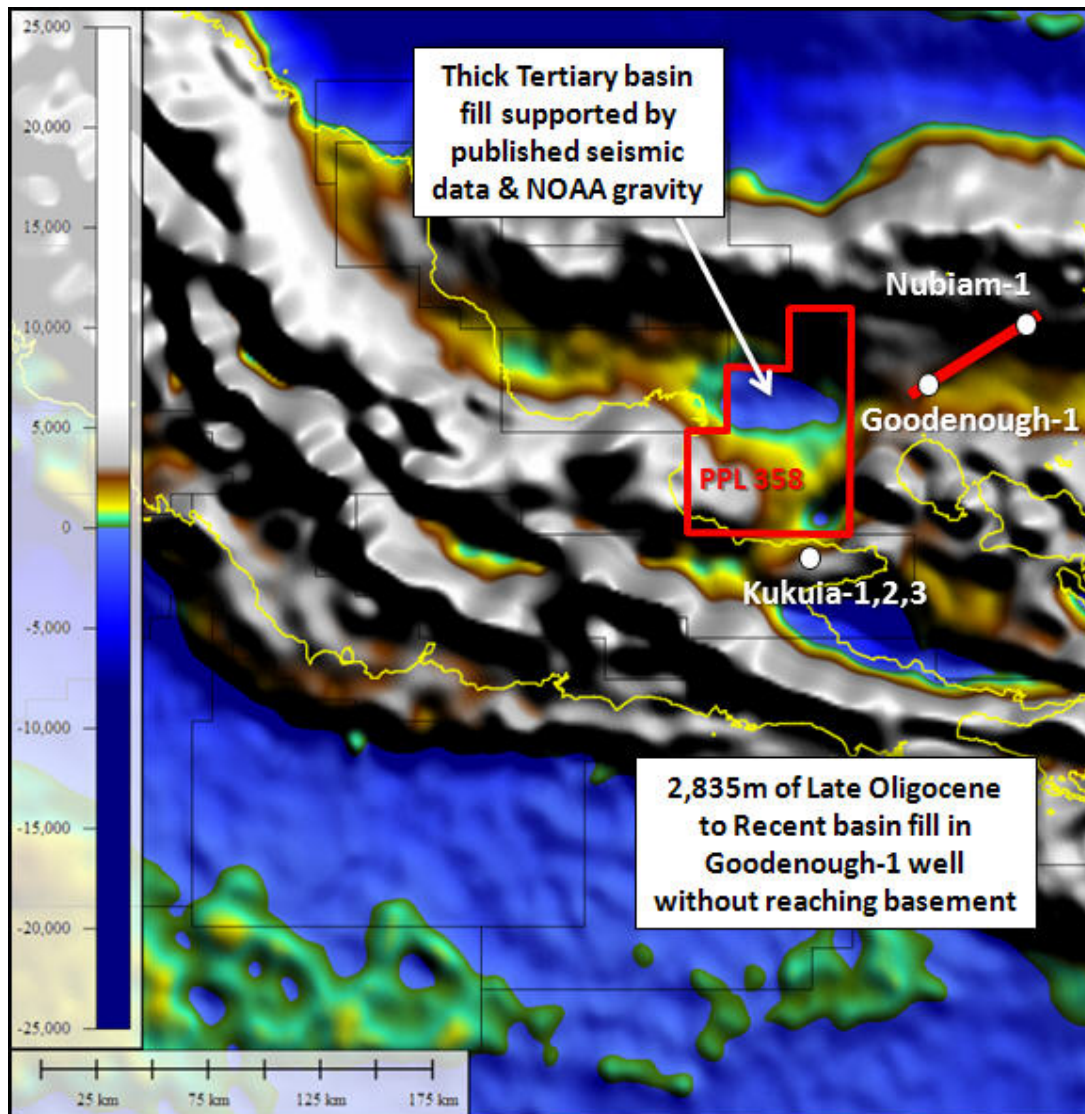


Figure 4: PPL 358 on regional NOAA gravity map (publicly available). Location of interpreted thick sedimentary basin fill is indicated by blue colour. Red line is well cross section in Figure 6

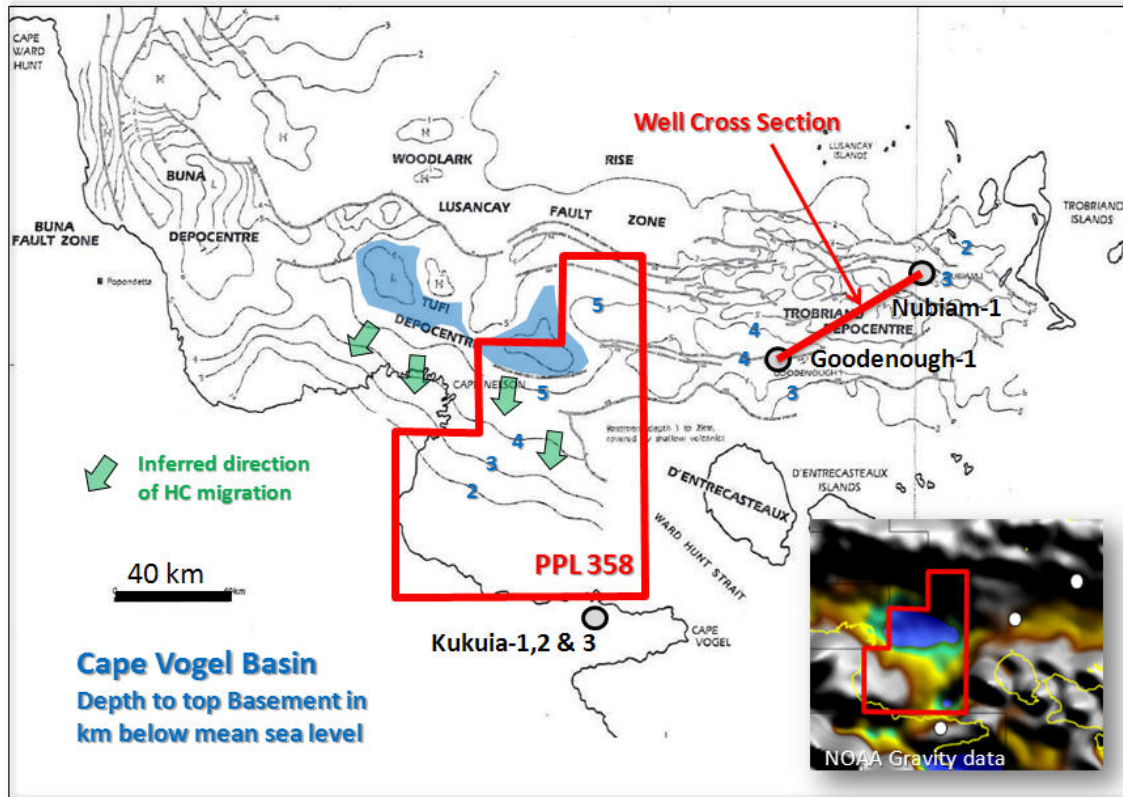


Figure 5: PPL 358 Tectonic Setting, Basement Structure, Well Control & Petroleum System. (Detail added to *Depth to Basement Map* from Figure 4 in Stewart, W.D., Francis, G. & Deibert, D.H. 1986. *Hydrocarbon Potential of the Cape Vogel Basin, PNG*. *Oil and Gas Journal*, Nov. 17th 1986, v.84 (46). Well cross section is shown in Figure 6.

Evaluation of this extensive block would benefit from additional regional air gravity and aeromagnetic surveys. This would provide a relatively low cost data set to better define the regional basin architecture, structure and potential sediment fill thickness as the framework for planning future additional seismic acquisition.

Existing seismic data to the northwest of PPL 358 demonstrate that the Cape Vogel Basin has suffered inversion that generated compressional potential trapping structures in the Late Miocene target interval (Figure 7).

The initial exploration campaign will involve the acquisition of aeromagnetic & aero-gravity data over the entire licence in 2011/12. The existing seismic data over the block provides a widely spaced regional grid of poor to moderate quality data. The wide spacing of these seismic lines renders them of limited use in detailing potentially drillable traps. However, these data will be reprocessed during 2011/12, tied to the existing well data, integrated with the aeromagnetic & aero-gravity data, and interpreted to provide a regional framework prior to the acquisition of additional prospect specific seismic data in 2013. The reprocessed existing seismic data will be used to provide a correlation and sequence stratigraphic context that links the reported sandstone outcrops onshore with those in the offshore basin sequences.

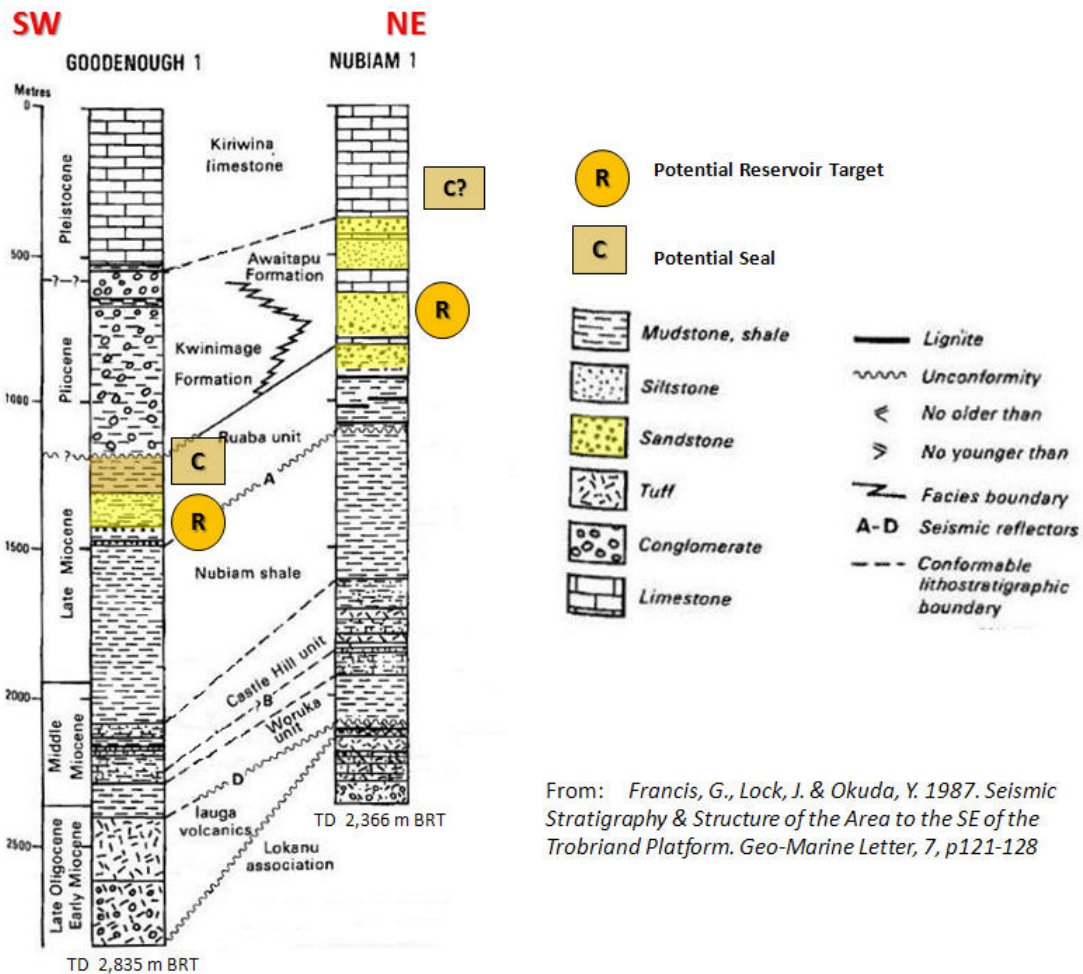


Figure 6: PPL 358 Regional Cross Section Goodenough 1 to Nubiam 1 Reservoir and Seal as shown in Figure 5 (Modified after: Francis, G., Lock, J. & Okuda, Y. 1987. *Seismic Stratigraphy & Structure of the Area to the SE of the Trobriand Platform*. *Geo-Marine Letter*, 7, p121-128).

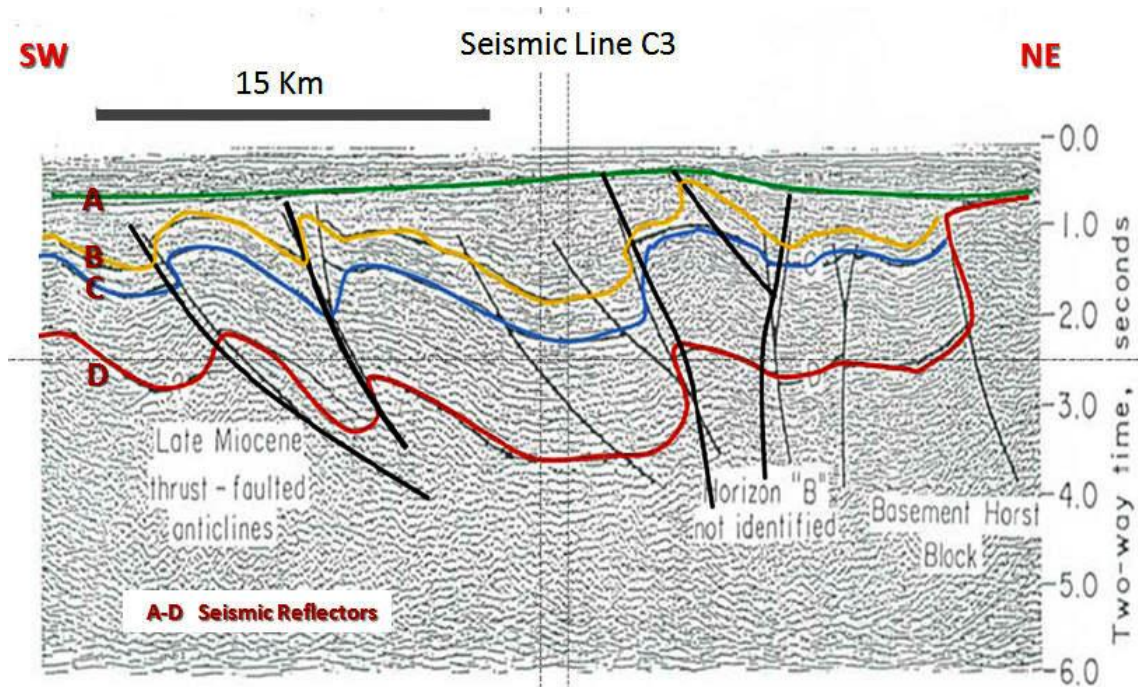


Figure 7: PPL 358 Indicative structure affecting the Cape Vogel Tertiary Basin fill. (From Pono, S. 1990. *Petroleum Exploration in PNG, Proceedings of 1st PNG Petroleum Convention*, page 33-49)

KEY PERSONNEL

Chairman Elect – Mr Chris Haiveta, B ED, BA Hons, CMG

Chris Haiveta attended Lese Oalai Catholic Mission and De La Salle High School at Mainohana in Central Province followed by completing a Bachelor of Education and a Bachelor of Arts Degree with Honours between 1976 and 1981 at University of Papua New Guinea, Waigani. He completed post graduate degree studies in Development Economics at Sussex University in the United Kingdom and then returned to PNG to serve as a senior researcher at the Institute of Applied Social and Economic Research.

He joined the Papua New Guinea Public Service in the Department of Provincial Affairs in the office of the Minister as executive officer with particular responsibilities towards suspended Provincial Governments and their administration. He was appointed Secretary of the Department of Gulf Province in 1985 and later served as the economic advisor and Chief of Staff to Prime Minister Rabbie Namiliu from 1989 to 1992. He stood for Parliament for the Gulf Regional Seat in 1992 and served as a Member of Parliament until 2007.

He is a senior Papua New Guinean who has served the country in both public service and politics over 29 years until the 2007 General Elections. Mr Haiveta has held several ministerial portfolios including the Ministry of Finance and Planning from 1994 to 2002. He also served as Minister for Mines, Petroleum and Energy, Deputy Prime Minister and at times acting Prime Minister of PNG.

As Deputy Prime Minister and Minister he presided over a period during which some of the major projects in mining and petroleum were awarded, implemented or renegotiated including the Lihir Gold Project, Moran Oil Project, Kainantu Gold Mine, and the current arrangements pertaining to the Ok Tedi Mine. He was also instrumental in floating Orogen Minerals on the Australian Securities Exchange. Mr Haiveta has held positions as Governor representing PNG on the World Bank, IMF and Asian Development Bank Boards and was the national programme officer for the EU Programme in PNG. He also served a term in 1996-1997 as the Deputy Chairman of the joint IMF-World Bank annual meetings.

He was also responsible for the corporatisation of most Papua New Guinea Statutory Organisations including Post PNG, Telicom, Pangtel Air Nuiguini, PNG Ports, Eda Ranu, 'B Mobile', MRDC, PNGBC, Investment Corporation and Agriculture Bank. He also enacted the Public Finances Management Act and Regulations of 1996 and oversaw the implementation of the new Supply and Tenders Board under this act.

He has also served as Chairman of the National Planning Committee and on the Boards of Gulf Investment Trust Fund and Gulf Papua Fisheries as Chairman, and as a trustee board member of Petroleum Resources Kutubu, Petroleum Resources Moran, and Petroleum Resources Gobe until 2007.

Mr Haiveta has an excellent grasp of public policymaking and implementation. He is currently managing his own consultancy firm in providing day to day and retainer based advice to clients in the resources sector and other corporate entities and Government ministries in PNG. Mr Haiveta is committed to promoting and encouraging more Papua New Guineans to

capture opportunities in the corporate sector and participate more meaningfully in the development opportunities Papua New Guinea continues to provide.

Non-executive Director Elect – Mr Yosse Goldberg

In the early 1960s Mr Goldberg joined Denis Silver and formed Silver Goldberg and Associates. The practice grew and became a leading architectural office, based in Perth and expanding its activities throughout Australia, Asia and Iran. The practice is operating today, after almost 60 years, under the name Silver, Hanley Thomas.

In mid 1970s Mr Goldberg became a property developer and designed, built, owned and operated, either on his own or in partnership, four medium-sized suburban shopping centres, apartments, a modern pig farm, 6PR radio station, managed land subdivisions and established a horse racing and breeding farm (Jane Brook Stud and Shamrock Park) providing agistment/training for 250-300 horses.

In later years he lived in the UK, Spain, USA, Canada where he helped Australian companies in establishing operations in those countries.

On his return to Australia he became a consultant and major shareholder in a number of companies and helped companies create a foothold in countries such as PNG, Indonesia, Cameroon, South Africa and Turkey. Mr Goldberg has also consulted to Sydney Gas Limited, Blue Energy Limited, Kimberley Diamond Company NL, Sundance Resources Limited, CuDeco Limited, Gindalbie Metals Ltd about resources projects ranging from iron ore, coal bed methane and copper. Recently Mr Goldberg has been engaged in establishing a major thermal and coking coal project in Indonesia requiring major infrastructure and financing.

Non-executive Director Elect – Mr Domenic Martino BBus, FCA, FCPA, FAICD

Mr Martino is a Chartered Accountant and an experienced director of ASX listed companies. Previously CEO of Deloitte Touch Tohmatsu in Australia, he has significant experience in the development of "micro-cap" companies.

- Former CEO Deloitte Touche Tohmatsu Australia.
- Key player in the re-birth of a broad grouping of ASX companies including Sydney Gas Limited, Pan Asia Corporation Limited, Clean Global Energy Limited and NuEnergy Capital Limited.
- Strong reputation in China and Chairman of Resourcehouse Limited and Australasian Resources Limited.
- Lengthy track record of operating in Papua New Guinea and Indonesia, and successfully closed key energy and resources deals with key local players.
- Proven track record in capital raisings across a range of markets.

Mr Martino was a founding director and former Chairman of coal bed methane companies Sydney Gas Limited (recently taken over by AGL Energy Limited) and Blue Energy Limited (formerly Energy Investments Limited).

Mr Martino was a recipient of the Centenary Medal 2003 for his service to Australian society through business and the arts.

Chief Executive Officer Elect – Dr John Warburton BSc (Hons), PhD, FGS, MAICD

Dr Warburton's appointment as Chief Executive Officer is currently under negotiation and upon agreement, his appointment would become effective after completion of the transaction.

John Warburton has a 1st Class Honours Degree in Geological Sciences from Leeds University, UK and a Ph.D in Structural Geology from the University of Wales, UK. He has published numerous technical papers on structural geology and petroleum systems including about PNG.

John's industry career commenced as a North Sea Rig Geologist with BP in 1983. He spent 11 years with BP in various international Geoscience positions as an expatriate in Pakistan, Spain, Yemen and Oman. John was a team member in the pre-drill evaluation of Caspian Sea prospects that later proved to be giant oil & gas fields offshore Azerbaijan and Kazakhstan.

John joined Oil Search Ltd in 1997 where he was involved in the company's non-operated exploration activities in the PNG Fold-belt and was instrumental in placing the discovery well for the Moran Oil Field.

He moved to LASMO in 1998 and served as the Exploration Manager for North Africa & South Atlantic Region. From 1999 to 2002 John was the Eni/LASMO Manager Exploration & New Business based in Karachi, Pakistan where he also led the HSES Vision Implementation Team. John led a multi-discipline team in the discovery and appraisal of both operated and non-operated gas fields in the Middle Indus Basin and Kirthar Fold-belt. In Pakistan John was appointed to Vice President of the Pakistan Government's industry-wide Technical & Operations advisory group of the Petroleum Exploration & Producing Companies Association and served as Vice Chairman of the Pakistan Association of Petroleum Geologists.

John joined Roc Oil in Sydney in 2002 as the Regional Manager - West Africa. In 2004 he founded his consulting business Insight Exploration Pty Ltd that provides diverse technical and business services to the international petroleum industry. Insight Exploration's clients range from international Super-majors to small and pre-IPO companies. Projects have included conventional petroleum exploration opportunity screening and resource assessment in Australia, New Zealand, West Africa, SE Asia, China, Korea and Japan, plus onshore China CBM and shale-gas potential onshore Australia.

John is a Member of the Australian Institute of Company Directors, a Fellow of the Geological Society of Great Britain and an Alumni of Cranfield School of Management, UK. He serves on the External Advisory Board of the Centre for Integrated Petroleum Engineering & Geoscience, Leeds University, UK, and is an Advisor to the Board of ASX listed Imperial Corporation Limited.

SUMMARY

The Directors believe that the proposed acquisition of IPE will provide the Company with a number of core petroleum assets to form the base for developing an international oil and gas producer. The quality of these initial assets positions it as a unique opportunity to develop this strategy in a relatively short time frame.

The completion of this acquisition is expected to transform the Company from its historical operations to a rapidly emerging oil and gas company.

Orchid has, in preparation for this significant transformation, liquidated all non-core assets. This enables Orchid to enter into the transaction debt-free and with more than \$2.05 million in cash.

Shareholders will be asked to approve the completion of this acquisition at a meeting to be convened.

A handwritten signature in black ink, appearing to be 'R. Lambe', written in a cursive style.

Richard Lambe
Director & Company Secretary
Orchid Capital Ltd