
ORCHID CAPITAL LTD

ABN 30 073 099 171

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

TIME: 9.00 am (WST)

DATE: Friday, 17 November 2006

PLACE: The Melbourne Hotel
942 Hay Street (cnr of Milligan Street)
Perth WA 6000

This Notice of Annual General Meeting is an important document and requires your immediate attention. Please read it carefully. If you are in doubt as to what you should do, please consult your professional adviser.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Orchid Capital Ltd which this Notice of Annual General Meeting relates to will be held at 9.00 am (WST) on 17 November 2006 at:

The Melbourne Hotel
942 Hay Street (cnr of Milligan Street)
Perth WA 6000

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) post or deliver the proxy form by hand to the Company's registered office at Suite 3, Ground Floor, 610 Murray Street, West Perth, Western Australia; or
- (b) send the proxy form by facsimile to the Company on facsimile number +61 8 9322 6887.

so that it is received not later than 9.00 am (WST) on 15 November 2006.

Proxy forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Orchid Capital Ltd will be held at The Melbourne Hotel, 942 Hay Street (cnr of Milligan Street), Perth WA 6000 at 9.00 am (WST) on 17 November 2006.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at the close of business on 15 November 2006.

AGENDA

BUSINESS

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered at the Meeting.

ORDINARY BUSINESS

Reports and Accounts

To receive and consider the financial statements of the Company for the year ended 30 June 2006 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. RESOLUTION 1 – REMUNERATION REPORT

To consider and if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That for the purposes of Section 250R(2) of the Corporations Act, and for all other purposes, the Company adopt the Remuneration Report.”

Short Explanation: The Corporations Act provides that a resolution that the remuneration report be adopted must be put to vote at a listed company's annual general meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

2. RESOLUTION 2 – RE-ELECTION OF A DIRECTOR – CLIVE MCKEE

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, Clive McKee, being a Director of the Company who retires by rotation in accordance with clause 13.2 of the Constitution and, being eligible for re-election, is re-elected as a Director of the Company.”

Short Explanation: Clause 13.2 of the Constitution requires that at the Annual General Meeting one third of the Directors for the time being shall retire from office. A retiring Director is eligible for re-election.

3. RESOLUTION 3 – ISSUE OF OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.1 and 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval be given for the Company to issue 99,255,521 Options in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Short Explanation: Under the Listing Rules, the Company may seek shareholder approval prior to a placement to authorise it to make an issue of securities in excess of the 15% threshold of its total ordinary securities and to allow it the flexibility to make future issues of securities up to the threshold of 15% of its total ordinary securities in any 12 month period. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associate of those persons, and any related party of the Company who is receive securities in relation to the Company.

DATED: 17 OCTOBER 2006

BY ORDER OF THE BOARD

**MR NORMAN GRAFTON
COMPANY SECRETARY
ORCHID CAPITAL LTD**

Voting Exclusion Note:

Where a voting exclusion applies, 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.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting.

1. RESOLUTION 1- REMUNERATION REPORT

The Remuneration Report is set out in the Director's Report in the Company's 2006 Annual Report. It is also available on the Company's website at www.orchidcapital.net.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company at the Annual General Meeting. However, Shareholders should note that the vote on Resolution 1 is advisory only and is not binding on the Company or its Directors.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

2. RESOLUTION 2 - RE-ELECTION OF CLIVE MCKEE

Clause 13.2 of the Constitution of the Company provides that at each annual general meeting one third of the Directors, or if their number is not a multiple of three, then the number nearest to but not more than one third of the directors must retire from office. A retiring director is eligible for re-election.

Mr Clive McKee retires in accordance with that clause and being eligible for re-election, offers himself for re-election at the Meeting.

3. RESOLUTION 3 - ISSUE OF OPTIONS

3.1 Background

Resolution 3 seeks shareholder approval for the issue and allotment of up to 99,255,521 Options to subscribers under the Entitlement Issue. The Directors intend to undertake an Entitlement Issue to holders of listed options in the Company on the yet to be determined record date. The Entitlement Issue will raise approximately \$99,256.

3.2 Regulatory Requirements - ASX Listing Rule 7.1 and 10.11

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue 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. In addition ASX Listing Rule 10.11 provides that a company may not agree to issue securities to a related party of the company without shareholder approval to that issue.

The Company is seeking approval under ASX Listing Rule 10.11 to enable directors, as related parties of the Company, who hold listed options to be able to participate to the extent of their pro rata entitlement under the Entitlement Issue.

ASX Listing Rule 7.3 requires that the following information be disclosed to Shareholders for the purposes of obtaining Shareholder approval pursuant to ASX Listing Rule 7.1:

- (a) the maximum number of Options to be issued by the Company pursuant to Resolution 3 is 99,255,521 Options;
- (b) it is intended that the allotment and issue of the Options will take place following completion of the Entitlement Issue but in any event will take place no later than three (3) months after the date of the general meeting (or such later date as permitted by ASX);
- (c) it is intended that the Options will be allotted to holders of listed options in the Company on the record date outlined in the prospectus to be issued pursuant to the Entitlement Issue;
- (d) the Options will be issued at 0.1 cents per Option;
- (e) the terms of the Options will be as outlined in Annexure A;
- (f) related parties and their associates will be entitled to participate in the pro rate Entitlement Issue and may elect to take up their respective entitlement if they are a holder of listed options on the record date; and
- (g) funds raised from the Entitlement Issue will be used to supplement the general working capital of the Company.

In addition, for the approval under ASX Listing Rule 10.11, the following additional information is included as required under ASX Listing Rule 10.13:

- (a) the names of the related parties who will be entitled to participate in the Entitlement Issue as a holder of listed options are:

Related Party	Number of Listed Options Held
Clive McKee (director)	1,250,000
Alvin Tan (director)	1,750,000
Julian Sandt (director)	1,000,000

- (b) it is intended that the issue of the Options will taken place following completion of the Entitlement Issue. The Company will be seeking a waiver from ASX Listing Rule 10.13.3 to enable any Options to be issued to the related parties following the completion of the Entitlement Issue. ASX Listing Rule 10.13.3 otherwise requires that the Options be issued to the related parties within 1 month from the date of the general meeting; and
- (c) the total number of Options that may be issued to the related parties outlined above is 4,000,000 Options, assuming that each of the related parties takes up their full entitlement under the Entitlement Issue.

4. ENQUIRIES

Shareholders are required to contact the Company Secretary on +61 8 9321 3664 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

Board means the board of directors of the Company.

Company means Orchid Capital Ltd (ABN 30 073 099 171).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the directors of the Company.

Entitlement Issue means the offer to holders of listed options in the Company to acquire one (1) new Option for every one (1) option held on the yet to be determined record date at an issue price of 01.cents per Option.

Explanatory Statement means the explanatory statement to the Notice.

Meeting means the meeting convened by the Notice.

Notice means the notice of annual general meeting accompanying this Explanatory Statement.

Options means an option to acquire a Share in the Company pursuant to the Entitlement Issue.

Share means a share in the Company.

Shareholder means a shareholder in the Company.

ANNEXURE A

Terms of Options

The material terms and conditions of the Options are set out below:

- (a) each Option entitles the holder to one (1) Share in the Company;
- (b) the Options are exercisable at any time on or prior to 5.00pm (WST) on 28 February 2012 by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company;
- (c) the Option exercise price is \$0.05 per Option;
- (d) an Option does not confer the right to a change in the exercise price or a change in the number of underlying securities over which the Option can be exercised;
- (e) subject to the Company's Constitution, the Listing Rules and the Corporations Act, the Options are freely transferable;
- (f) all of the Company's Shares issued upon exercise of the Options will rank *pari passu* in all respects with the Company's then issued Shares. The Company will apply for quotation of all Shares issued upon exercise of the Options on ASX;
- (g) there are no participating rights or entitlements in the Options, and the holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
- (h) if at any time the issued capital is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Listing Rules and Corporations Act and in any case in a manner which will not result in any benefits being conferred on Option holders which are not conferred on Shareholders.

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Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form enclosed:
 - (a) Post or deliver the proxy form by hand to the Company's registered office at Suite 3, Ground Floor, 610 Murray Street, West Perth, Western Australia; or
 - (b) send the proxy form by facsimile to the Company on facsimile number +61 8 9322 6887.

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