

Quarterly Report

**Activities Report for the Quarter ended
31 December 2016**



ORPHEUS
ENERGY

Alternative asset acquisition strategy

As previously advised, Orpheus Energy Limited (**Orpheus**) has received a number of approaches regarding new potential reverse take-over (**RTO**) opportunities, following the cessation of the previously proposed RTO process with Wavetronics Solutions Pvt Limited.

Detailed discussions and financial due diligence regarding a preferred opportunity in regards to an Australian entity in the technology sector have significantly progressed, and the Board expects to be in a position in the near future to present this exciting company to shareholders for Orpheus to acquire in an RTO process.

As the nature of Orpheus' business will change if the RTO is carried out, Orpheus is consulting with the ASX on the proposed RTO and its implementation, including the nature and extent of the member approvals that will be required to carry out the proposed RTO including (without limitation) consulting with the ASX on compliance with ASX Listing Rule 11.1. Orpheus anticipates it will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules and seek member approval to carry out the RTO.

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. As at 31 December 2016, IDR 70 billion Rupiah, plus interest of IDR 6.65 billion Rupiah (total 76.65 billion Rupiah or ~AUD\$7.6M) remains due.

As Orpheus shareholders are aware, as part of the Settlement Agreement, Orpheus (under the terms of a Shares Pledge Agreement) 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 Settlement Agreement, Orpheus, as the pledgee under the Shares Pledge Agreement 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.

As previously advised, Orpheus has been in advanced negotiations with a potential acquirer of the shares. A formal offer to acquire the shares has been submitted to Orpheus and been agreed to by the Board, subject to cash funds actually being received. As part of the legal documentary process to complete the proposed transaction, and AGP's Constitution, all shareholders of AGP are required to formally approve any new, incoming shareholder. Orpheus is advised that all major shareholders

including Suksmanto, have approved the proposed transaction and only two minor AGP shareholders are yet to provide their formal agreement, which is expected, after the conclusion of Chinese New Year celebrations in Indonesia.

Orpheus will keep shareholders updated on this process.

Disclaimer – Forward looking statements

This release may contain forward-looking statements. These statements are based upon management's current expectations, estimates, projections and beliefs in regards to future events in respect to Orpheus's business, the industry in which it operates. These forward looking statements are provided as a general guide and should not be relied upon as an indication or guarantee of future performance. The bases for these statements are subjected to risk and uncertainties that might be out of control of Orpheus Energy Limited and may cause actual results to differ from the release. Orpheus Energy Limited takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ORPHEUS ENERGY LIMITED

ABN

67 121 257 412

Quarter ended ("current quarter")

December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(111)	(188)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (ATO PAYG/GST refunds)	58	207
1.9 Net cash from / (used in) operating activities	52	20

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	76	4
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(52)	20
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	24	24

Note Nugroho Suksmanto is still to pay any of the outstanding funds owed to Orpheus and he remains in breach of the Settlement Agreement. As at 31 December 2016, IDR 70 billion Rupiah, plus interest of IDR 6.65 billion Rupiah (total 76.65 billion Rupiah or ~AUD\$7.6M) remains due.

As Orpheus shareholders are aware, 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.

As previously advised, Orpheus has been in advanced negotiations with a potential acquirer of the shares. A formal offer to acquire the shares has been submitted to Orpheus and been agreed to by the Board, subject to cash funds actually being received. As part of the legal documentary process to complete the proposed transaction, and AGP's Constitution, all shareholders of AGP are required to formally approve any new, incoming shareholder. Orpheus is advised that all major shareholders including Suksmanto, have approved the proposed transaction and only two minor AGP shareholders are yet to provide their formal agreement, which is expected, after the conclusion of Chinese New Year celebrations in Indonesia.

In the event that additional funds are needed for working capital, the Directors of Orpheus have indicated their willingness to contribute further short terms loan funds.

5.	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	24	76
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	24	76

6. Payments to directors of the entity and their associates**Current quarter
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

-

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

7. Payments to related entities of the entity and their associates**Current quarter
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8. Financing facilities available*Add notes as necessary for an understanding of the position***Total facility
amount at quarter
end
\$A'000****Amount drawn at
quarter end
\$A'000**

8.1 Loan facilities

656

656

8.2 Credit standby arrangements

-

-

8.3 Other (please specify)

-

-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

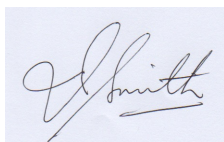
Existing Unsecured loans Directors loans from David Smith and associate \$258,650, Wayne Mitchell \$330,138 and Wes Harder \$67,000, totalling \$655,788 not including interest accrued at and not paid of \$30,781 at the rate charged by Westpac Banking Corporation on business overdrafts exceeding \$100,000 on less 0.5%.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	-
9.2	Development	-
9.3	Production	-
9.4	Staff costs	-
9.5	Administration and corporate costs	23
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	23

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 31 January 2017

Print name: David Smith

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.