Orpheus Energy Limited

ABN 67 121 257 412

Annual Report

for the year ended

30 June 2014

Contents

Corporate Information

Orpheus Energy Limited

ACN 121257412

The shares of Orpheus Energy Limited ('the Company') are quoted on the official list of the Australian Security Exchange.

The ASX code for the Company's ordinary fully paid shares is "OEG".

Directors

Mr Wayne Mitchell	Executive Chairman
Mr David Smith	Executive Director
Mr Wesley Harder	Executive Director
Mr Michael Rhodes	Non-executive Director

Company Secretary

Mr David Smith

Chief Financial Officer

Mr Barry Neal

Registered Office and Principal place of business

Level 12
179 Elizabeth Street
Sydney NSW 2000
Australia

Telephone: +61 2 8281 8200
Fax: +61 2 9264 9530
Internet www.orpheusenergy.com.au

Share Register

Boardroom Pty Ltd
Level 7, 207 Kent Street
Sydney, SW 2000
Telephone + 61 2 9290 9600
Fax + 61 2 9279 0664
www.boardroomlimited.com.au

Solicitors

HWL Ebsworth
Level 23, Riverside Centre
123 Eagle Street
Brisbane Qld 4001

Auditors

Hall Chadwick
Level 40
2 Park Street
Sydney NSW 2000

Bankers

National Australia Bank Limited
105 Miller Street
North Sydney NSW 2060

Stock Exchange Listing

Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Chairman's Letter

It is my pleasure to present the Company's fourth annual report for the year ended 30 June 2014.

The primary message for this year is one of company re-calibration. Coal prices have just hit a five year-low and while the coal sector remains a strong long-term prospect, Orpheus shareholders deserve to see a re-rating of our share price in the shorter term, which in the Board's view will more likely result from focusing on other growth opportunities as well as coal.

Coal production and sales for the year were at low levels. Working capital constraints, an unusually bad year for inclement weather, continued issues with illegal mining near our concession border, even extending into our area, and the closure of the nearby SKJM Port for four months (and all surrounding ports) by the police, meant production was substantially below our projections. Our issues throughout the year were not related to our ability to mine and/or sell the coal mined, albeit at extremely low margins, but were as a result of factors beyond our control.

Indeed, I have highlighted below a list of some recent developments in the Indonesian coal sector which provided further impetus for your Board to make the decision to carefully re-evaluate Orpheus's future in this sector, and specifically over the next several months, to monitor how recently announced Indonesian regulations evolve, under the newly elected administration:

- New Government regulations require all existing miners to re-apply for export mining permits, with the intent by the Government to control the payment of all back taxes. The approval process will take time, restricting the operations of many export miners;

- The new rules have the intention of reining in illegal operations, forcing coal miners to register with the central government and make royalty payments upfront before they are allowed to export, and as reported by the Indonesian Coal Mining Association, this will affect exports significantly;

- The government has also announced that it will proceed with plans to cap the production of coal next year, a move aimed not only at protecting the environment but also at helping stem a decline in global coal prices;

- Data in early September from the Financial Services Authority (OJK) showed that non-performing loans to the mining sector had more than doubled to 2.49 percent in June from 0.99 percent a year before, showing the impact of the downturn in prices; and

- The ongoing lack of clarity on the process of obtaining mining licenses.

In this ongoing environment, the Board continues to implement its asset rationalisation and cost reduction strategy as determined through the comprehensive strategic review of the Company's asset base and cost structure in late 2013. Apart from executing an aggressive cost-reduction strategy to reduce the Company's monthly administration costs, including wholesale staff redundancies and deferred Directors' and Executives' fees and salaries, the Board is actively looking at a number of geographically and geologically diverse potential near-term cash-flow projects.

Most importantly, on 1 July, the day after the end of the financial year, we announced the sale of the Company's non-performing projects to our Indonesian partner, for a total consideration of US$ 8.2 million, representing an overall profit of US$ 3.9 million. This was subsequently approved by shareholders at the General Meeting on 14 August. These funds will significantly strengthen Orpheus's balance sheet and facilitate transacting on and developing future growth opportunities for the Company.

We now look for shareholder support to change the company focus; by this we do not mean a complete withdrawal from the coal sector, but a more conservative approach in the evaluation and acquisition of higher margin and higher coal quality concessions. Further, one of our AGM resolutions is to approve Orpheus potentially moving into other sectors including gold, as well as other resources.

We have secured the marketing rights to a new gold reagent, for an economic, (high yield) and environmentally friendly extraction of Gold from the ore, both for oxide and sulphide ore bodies. Initial market research has been carried out in both Australia and Indonesia, showing excellent support from gold miners, local administration, and Government instrumentalities. Obviously, our strategy, whilst producing a cash flow from product sales, will be to JV gold concessions either in or near production.

Finally, I would like to thank my board and colleagues, for their diligent contributions to the company over the last twelve months, however, I would particularly like to thank all our shareholders for their continued support in a challenging environment for the company, and look positively to growing Orpheus over the next twelve months.

Wayne Mitchell
Executive Chairman

Summary of Activities

Coal Production/Sales

In the 2014 financial year, Orpheus reported a 13% decrease in coal sales over the previous year, with sales of only 119,451 tonnes for total revenues of AUD$1.39 million. The coal was shipped to a variety of buyers, including domestic utilities and Indonesian trading groups, from the company's South Kalimantan operations.

Period (quarter)	Tonnes (2013)	Tonnes (2014)
September	-	-
December	44,025	51,410
March	20,104	60,086
June	72,955	7,955
TOTAL	**137,084**	**119,451**

Coal sales and mining activities were again hampered by unseasonal heavy rain and major flooding for a number of months, as well as the need to change mining contractor mid-period. Additionally, Orpheus was the innocent victim of a boundary clarification process with neighbouring large coal miner, PT Arutmin, over the precise boundary location, which meant Orpheus achieved no coal mined from the prime mining seam in the ADK tenement for seven months of the year.

Exploration

As Orpheus was focused on generating cash-flow from its mining, infrastructure and trading activities, as well as controlling costs, only modest exploration work at the company's Indonesian projects was undertaken over the last financial year.

Indonesian Asset Sales

On 1 July, Orpheus announced that it has executed sales agreements for the sale of its interests in the Indonesian projects including Papua, B34, CBP, and ADK, for a total consideration of US$8.2 million.

The details for each asset sale are detailed below:

Papua *(OEG; Nugroho Suksmanto, PT Mega Coal and related parties)*
In November 2011, Orpheus paid AUD$2,000,000 to acquire four prospective coal tenements in the Papua province. Orpheus executed an agreement with Mr Suksmanto, PT Mega Coal, and related parties to pay Orpheus US$2,000,000 for two of the tenements, leaving Orpheus with equity in the remaining two tenements. This amount represents a ~US$1,000,000 profit margin to Orpheus on the acquisition costs of the project, paid by Orpheus.

B34 *(Nugroho Suksmanto, PT Mega Coal and related parties)*
In September 2011, Orpheus paid AUD$2,200,000 to acquire two prospective coal tenements, Block 3 and Block 4, in East Kalimantan. Orpheus executed an agreement with Mr Suksmanto, PT Mega Coal, and related parties to pay Orpheus US$2,200,000. An initial payment of US$200,000 had already been received and the balance is to be paid in monthly instalments of a minimum of US$100,000 per month until the balance has been paid.

CBP *(OEG 51%; Nugroho Suksmanto, PT Mega Coal and related parties 49%)*
In August 2012, Orpheus paid USD$200,000 to acquire CBP in South Kalimantan. Orpheus executed an agreement with Mr Suksmanto, PT Mega Coal, and related parties to pay Orpheus US$1,000,000. This amount represents a US$800,000 profit margin to Orpheus on the acquisition cost of the project, paid by Orpheus.

ADK *(OEG 51%; Nugroho Suksmanto, PT Mega Coal and related parties 49%)*
Since February 2012, Orpheus has paid US$1,000,000 to acquire its 51% equity in the ADK mine in South Kalimantan. Orpheus executed an agreement with Mr Suksmanto, PT Mega Coal, and related parties to pay Orpheus US$3,000,000. An initial payment of US$150,000 had already been received and the balance is to be paid

in monthly instalments of US$400,000 per month through coal sales until 15 January 2015 when the remaining balance is payable. This amount represents a US$2,000,000 profit margin to Orpheus on the acquisition and development costs of the project, paid by Orpheus.

A General Meeting of Shareholders on 14 August approved the asset sales.

Costs Reduction Program

Since late 2013, the Company has implemented an aggressive cost reduction strategy to reduce the Company's monthly administration costs with measures including:

- Deferment of Directors' fees
- Deferment of Executive salaries by ~50% and ~30% for all other staff
- Reduction of Indonesian operational workforce by 90%
- Cessation of all unnecessary overheads
- Some office rental abatement through sub-leasing
- Reduction of Board and Executive size by the resignation of former Director, Mr Anthony King, and former Company Secretary, Mr John Stone.

Directors' Loans

To provide working capital cover for the company during the period of the Indonesian Assets Sales process, and to avoid any shareholder dilution by raising capital, the Directors provided a further loan to the company in the sum of AUD$250,000 on 23 June 2014. This loan was is in addition to the Directors' loan in the sum of AUD$200,000 made last November 2013 and announced in the company's Half-Year Report. Consequently, as at reporting date, the total Directors' loans outstanding are AUD$450,000 plus applicable discounted interest.

Australian Assets

Orpheus's legacy Australian assets, Hodgson Vale, and Ashford, were not a focus area for management over the last financial year. Expenditure on the projects was kept to an absolute minimum, and was limited to maintaining the tenements in good order to ensure they remained legal company assets. Post reporting date, the company has advised the relevant QLD and NSW State Government departments that it does wish to renew these tenements and has requested that its two $10,000 security deposits be returned.

Cautionary Note:

This release may contain forward-looking statements that are based upon management's expectations and beliefs in regards to future events. 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. Except as required by ASX Listing Rules and other legal obligations, Orpheus Energy Limited takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release.

Corporate Governance Statement

Orpheus Energy Limited is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (Second edition August 2007 with 2010 Amendments) for the entire FY2014 financial year. Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below.

		Complied	Note
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	1
1.2	Disclose the process of evaluating the performance of senior executives.	Yes	2
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	1-2
2.1	A majority of the Board should be independent directors.	No	3
2.2	The chair should be an independent director.	No	3
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	No	3
2.4	The Board should establish a nomination committee.	No	4
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	2
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes	2-4
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	Yes	5
	• the practice necessary to maintain confidence in the company's integrity;	Yes	5
	• the practices necessary to take into account the company's legal obligations and the reasonable expectation of their stockholders; and	Yes	5
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	5
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	No	6
3.3	Disclose in each annual report the measurable objective for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No	6
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board	No	6
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Yes	6
4.1	The Board should establish an audit committee.	Yes	7
4.2	The audit committee should be structured so that it:		7
	• consists only of Non-executive directors;	No	
	• consists of a majority of independent directors;	No	
	• is chaired by an independent chair who is not chair of the Board;	No	
	• has at least three members.	Yes	
4.3	The audit committee should have a formal charter.	Yes	7
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Yes	7
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	8
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Yes	8

Corporate Governance Statement

		Complied	Note
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	9
6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	9
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	10
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	10
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	Yes	11
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Yes	10-11
8.1	The Board should establish a remuneration committee.	No	12
8.2	The remuneration committee should be structured so that it:		
	• consists of a majority of independent directors;	No	12
	• is chaired by an independent chair; and	No	12
	• has at least three members.	No	12
8.3	Clearly distinguish the structure of Non-executive directors' remuneration from that of executive directors and senior executives.	Yes	13
8.4	Provide the information indicated in Guide to reporting on Principle 8.	Yes	12-13

Notes

1. The primary responsibility of the Board is to represent and advance shareholders' interests and to protect the interests of all stakeholders. To fulfill this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

   The Board of Directors of Orpheus Energy is collectively experienced in coal and mineral exploration, mine development, finance and the management of listed public companies, and the requirements of, and compliance with, the law and ASX and ASIC rules and policies.

   Four of the Directors, including the Company's Chief Executive Officer, are qualified and experienced in mineral exploration and mine development

   The Board approves and monitors corporate strategy and performance objectives. Under the oversight of the Board's Audit and Risk Committee, the Board monitors systems of risk management, compliance and financial reporting. The Board is responsible for approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures of Company assets.

   Responsibility for the day-to-day management of the Company is delegated by the Board to the Chief Executive Officer and Managing Director, who is accountable to the Board. The Managing Director manages the Company in accordance with the strategy, plans and policies approved by the Board. The Board has determined that the Managing Director is appropriately qualified and experienced to discharge the required responsibilities.

Corporate Governance Statement

2. The Board seek independent advice from external remuneration consultants on executive remuneration (including incentive awards, equity awards and service contracts) and sets remuneration levels as a result of this advice. The board currently has no formal procedure for evaluation of its board, committee and directors. The board considers that it is functioning effectively given its composition and a formal procedure is not required at this present.

3. As at 30 June 2014 the Board comprised 3 Executive Directors.

   The Chairman, Mr Wayne Mitchell is not an independent Director

   Even though the members of the Board are not independent, the persons on the Board can and do make independent judgements in the best interests of the Company at all times

   The Board supports the appointment of directors who bring a wide range of business and professional skills and experience to the Company. Directors are appointed in accordance with the constitution of Orpheus Energy Limited and are appointed for a period of three years or until the third annual general meeting following his or her appointment (whichever is longer).

4. The Company does not have a Nomination Committee as the Directors believe that size of the Company and the Board does not warrant the formation of such committee. All Board nomination matters are considered by the whole Board.

   The Board oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.

5. The Board is committed to good corporate governance and aims for continuous improvement in these practices. It embraces high ethical standards and requires both personal and corporate responsibility. Directors, Officers and employee are required to safeguard the integrity of the Company and to act in the best interests of its stakeholders.

   The Company does not yet have a formal Code of Conduct setting out its core values. In general though, the Company requires that each director and officer of the Company must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdiction in which the Company operates.

   Contractors and others employed by the Company should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company.

   The practices of the Board are aimed at promoting ethical and responsible decision making. The Board strives for good corporate governance and industry best practice. It specifically requires directors and employees to:

   - avoid situations which may give rise to a conflict of interest;
   - avoid situations where they may gain any benefit which competes with the Company's business;
   - read and confirm that they understand the Company's policies;
   - comply with laws and regulations;
   - properly use the Company's assets for legitimate business purposes; and
   - maintain confidentiality in both the Company's business and the information of its clients and shareholders.

   Each director is required to disclose any interest which might create a potential conflict of interest with his or her duties as a director or which might affect their independence.

   There must be no conflict, or perception of a conflict, between the interests of any Company director, officer or employee and the responsibility of that person to the stakeholders. All directors, officers and employees may never improperly use their position for personal or private gain to themselves, a family member, or other associated person. Where a potential conflict exists, this should be disclosed to the Chairman prior to any dealings taking place.

6. While the company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals, no decision has been made by the Board at this time to formulate a diversity policy.

   The Board has not yet established objectives in relation to gender diversity but is committed to a continuation of current employment practices where employees are selected on merit. The aim is to achieve greater gender diversity in Director and senior executive positions as they become vacant and appropriately skilled candidates become available:

Corporate Governance Statement

7. The Company is not fully compliant with this principle. The audit and risk committee has a non-independent chairman, and two executive directors. Details of these Directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 13 to 16.

   Members of the Committee have relevant qualification and experience in financial matters and have a good understanding of the industry in which the Company operates.

   The Audit & Risk Committee plays a key role in assisting the Board with its responsibilities relating to accounting, internal control systems, reporting practices and risk management, and ensuring the independence of the company auditor. The terms of reference for the committee incorporate policies and procedures to ensure an effective focus from an independent perspective.

   The Audit & Risk Committee oversees and appraises the quality of the audits conducted by the auditors and emphasises areas where the Committee believes special attention is required. The external auditors are Hall Chadwick. Hall Chadwick's appointment will be reviewed periodically in line with industry best practice. The Board believes in the ongoing assessment of our audit arrangements and will comply with any regulatory requirements to rotate the Company's external audit partner.
   The Audit & Risk Committee also reviews the effectiveness of administrative, operating and accounting controls.

8. The Company's Continuous Disclosure Policy, available on the Company's website, is designed to meet ASX continuous disclosure Listing Rules, market best practice, ensuring that all interested parties have an equal opportunity to obtain information which is issued by the Company.

   The procedures which have been developed to comply with these rules include immediate reporting of any matter which could potentially have a material effect, via established reporting lines to the Company Secretary. The Company Secretary is responsible for monitoring information which could be price sensitive, liaising with the Managing Director to make an initial assessment, and escalating to the Board for disclosure of such information where practicable. The Managing Director monitors daily activity to ascertain what matters should be considered for disclosure and as soon as a matter is appropriate for disclosure the Managing Director must immediately notify the Company Secretary. It is noted that the Company must not delay giving this information to the ASX. Therefore, if the Board is not immediately available, the Company Secretary will lodge such information after consultation with the Managing Director.

   Price-sensitive information will be disclosed, in the first instance, to the ASX and disclosures to the market will then be placed on the Company's website. Material information must not be selectively disclosed (i.e. to analysts, the media or shareholders) prior to being announced to the ASX, and all media releases must be referred to the Company Secretary for clearance prior to any release

   The Company has established procedures designed to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

9. The Board has adopted a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings. In accordance with our regulatory obligations, certain periodic reporting will also be made to shareholders, including the Annual Report. The aim is for informed shareholder participation.

   The Company maintains a web site and endeavours to publish on the web site all relevant announcements made to the market.

   External auditors are requested to attend the annual general meeting and are available to answer shareholder questions about the conduct of the audit and preparation of the auditor's report.

10. The Board takes a proactive approach to the Company's risk management and internal compliance and control systems. The Audit & Risk Committee oversee and manage material business risks, with the entire Board a crucial part of this entire process.

    The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

Corporate Governance Statement

The Managing Director and the Chief Financial Officer are responsible for establishing, maintaining and reviewing the Company's risk management and internal control system. The Managing Director and Chief Financial Officer must provide periodic reports to the Board declaring that they have evaluated the effectiveness of the internal controls and procedures, and that they have reasonable assurance that all material information is known for filing purposes, the internal control of financial reporting is reliable for purposes of external reporting in accordance with the relevant accounting standards, and that no changes in the controls have occurred that may materially affect their effectiveness.

The Managing Director and the Chief Financial Officer have declared in writing to the Board, as required under section 295A of the Corporations Act 2001 that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively in all material respects. All risk assessments cover the whole financial period and the period up to the signing of the annual financial report for all material operations in the Company.

11. The Board has received from the Chief Financial Officer an assurance that internal risk management and the internal control system are effective; and assurance from the Chief Executive Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control which is operating effectively in respect to financial reporting risks.

12. Due to the size of the Board the Company does not have a remuneration committee. The functions normally carried out by such a committee are currently handled by the whole Board as discussed in Note 1.

13. The remuneration policy, which sets the terms and conditions for executive and non-executive directors, and key management personnel (KMP's), was developed after seeking professional advice from independent remuneration consultants and was approved by the Board. Increases in the total remuneration payable to Directors is approved by shareholders and the Board determines the level of individual Directors' remuneration.

    The Board has determined that non-executive directors shall receive a fixed remuneration by way of payment of fees and may also receive incentive remuneration under the Orpheus Energy Limited Long Term Incentive Plan. Each non-executive director is entitled to receive an annual fee for all services provided to the Company, including being a director of the Company.

    All Executive Directors and other Key Management Personnel (KMP's) with the exception of Non-executive Directors may receive a base salary, superannuation, fringe benefits and performance incentives under the Orpheus Energy Limited Long Term Incentive Plan. The Board reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria which are based on the forecast growth of the company's profits and shareholders' value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

    The amount of remuneration for all KMP for the company, including all monetary and non-monetary components, is detailed in the remuneration report under the heading "Remuneration – Key Management Personnel'. All remuneration paid to executives is valued at the cost to the company and expensed. The cost of shares allotted to KMP's is measured as the difference between the market price of those shares and the amount paid by the executive. Options are measured using the Black-Scholes methodology.

Directors' Report

The Directors of Orpheus Energy Limited present their report on the Company and its controlled entities for the financial year ended 30 June 2014.

Directors

The names of directors in office during or since the end of the financial year are:
Mr Wayne Mitchell, Executive Chairman, CEO and Managing Director
Mr David Smith, Executive Director
Mr Wesley Harder, Executive Director & Exploration Manager
Mr Michael Rhodes, Non-executive Director
Mr Anthony King, Non-executive Director (resigned 11 April 2014)

Mr Wayne Mitchell

Executive Chairman, CEO and Managing Director

Qualifications:	AASA, AAIM
Experience:	Mr Wayne Mitchell is a qualified accountant with over 30 years of extensive senior management experience in the natural resource sector; both in Australia and in Southeast Asia. In the early 1970's, Mr Mitchell and two partners were the initial promoters and developers of Thailand's major zinc deposit located at Mae Sot, Northern Thailand. This resource is now owned and operated by a Thai public company Padaeng Industry Company Ltd. Mr Mitchell specializes in the areas of financial planning, fund raising and project evaluation. He is also a past Chairman of listed company Central Victorian Gold Mines N.L and a past director of Diversified Mineral Resources NL where he initiated and led the project team for the Burton Downs Coal project taken over by Portman Mining before being sold for more than $200 million. Mr Mitchell was a co-founder and chairman of Coalworks, which was acquired by Whitehaven Coal.
Special responsibilities:	Member of the Audit and Risk Committee
Interest in shares and options:	5,424,157 ordinary shares and 7,854,910 options over ordinary shares
Other current Directorships:	Nil

Mr David Smith

Executive Director

Qualifications:	B Econ, Dip Mgmt – Exec MBA
Experience:	Mr Smith was formerly an investment banker for 15 years and was most recently at BBY Limited where he was Head Equity Capital Markets and a member of the group's Executive and Risk Management Committee. Mr Smith joined BBY in 2004 and up until he left in 2011, BBY's Corporate Finance division raised more than $4 billion for its corporate clients. He has extensively advised corporate clients in the bulk commodities sectors of coal and iron ore. In 2008, the BBY Corporate Finance division won the "Best Corporate Deal of the Year" award at the Australian Stockbrokers Foundation Awards for a coal sector client. Mr Smith maintained a Top 10 ranking in the annual SMH Age East Coles Investment Banking surveys from 2008-2010. Prior to joining BBY, he worked at Ord Minnett and then JPMorgan Chase. Mr Smith was a co-founder and a former Executive Director of Coalworks Limited which was acquired by Whitehaven Coal.
Special responsibilities:	Nil
Interest in shares and options:	22,524,015 ordinary shares and 4,013,512 options over ordinary shares
Other current Directorships:	Nil

Directors' Report

Mr Wesley Harder

Executive Director and Exploration Manager

Qualifications:	B Sc, Dip SIA, M Aus IMM
Experience:	Mr Harder is a former coal analyst with Jackson Ltd, stockbrokers, and has also worked with a number of other stockbrokers, including Ord Minnett and Frank Renouf. He has also worked as a field exploration geologist for fifteen years in Australia and its near neighbours including Sumatra and Irian Jaya in Indonesia, mainland Papua New Guinea and New Britain Island, many parts of the Solomon Islands and Fiji. In Australia he worked in New South Wales, Queensland, The Northern Territory and Tasmania. He has worked in tropical and arid environments searching for a range of mineral commodities including coal, gold, copper and uranium for companies including Newmont Mining Inc., Placer Prospecting Ltd, Pancontinental Mining Limited and Gujarat NRE Coking Coal Ltd. Mr Harder was a Founding Director & CEO of Zinico Resources NL and its successors for 5 years and Mr Harder was a founding shareholder of Coalworks.
Special responsibilities:	Exploration Manager and Member of the Audit and Risk Committee.
Interest in shares and options:	1,701,243 ordinary shares and 3,351,036 options over ordinary shares
Other current Directorships:	Nil

Mr Michael Rhodes
Non-executive Director

Qualifications:	
Experience:	Mr Rhodes is a highly experienced drilling engineer having worked around the world including South East Asia and the Middle East. Mr Rhodes has lived and worked in Indonesia for over 20 years and previously established a successful infrastructure and logistics company in Balikpapan. Mr Rhodes is a principal and Director of PT Mega Coal, Orpheus' Indonesian JV partner.
Special responsibilities:	Chairman of the Audit and Risk Committee
Interest in shares and options:	70,000 ordinary shares
Other current Directorships:	Nil

Company Secretary

Mr David Smith B Econ, Dip Mgmt – Exec MBA (Appointed 11 April 2014)

Mr Smith's qualifications and experience are disclosed above.

Mr John Stone B Econ (Resigned 11 April 2014)

Principal Activity

The principal activities of the Group are acquiring, exploring and developing coal infrastructure projects in Indonesia.

Dividends

No dividends have been declared in the 2014 financial year (2013: no dividend declared).

Directors' Report

Review of Operations

Information on the operations of the groups, its business strategies and prospects is set out in the summary of activities on pages 6 to 7 of the annual report.

Operating Results

The Group's net loss after tax (NLAT) was $4,062,006 (2013: $3,603,206). The loss for the year included an impairment of investment in exploration licences of $3,958,131 and a write off of bad debts of $187,607.

During the financial year revenues of $1,389,704 were received from the Company's South Kalimantan coal mining operations. (2013: $4,246,174).

Shares and Options

Release from Escrow

On 17 August 2013, 19,780,352 fully paid ordinary shares, 1,000,000 options over ordinary shares expiring on 4 August 2014 and exercisable at $0.25, and 12,750,000 options over ordinary shares expiring on 30 September 2014 and exercisable at $0.20 were released from escrow.

Completion of Unmarketable Parcel Sale or Top Up Facility and Share Sale Facility

As announced on 2 October 2013, Orpheus completed its sale and top-up of unmarketable parcels and sale of shares through the Share Sale facility at an average price of 6.2 cents per share. The facilities allowed the company to reduce the total number of shareholders from ~1,983 to ~968 providing savings in ongoing share registry and shareholder communications costs.

Grant of Options to Executive Directors

On 1 November 2013, shareholders at the 2013 AGM of the Company approved the issue of options to Executive Directors under the Company Long term Incentives Plan (LTI) with the number of options to be granted based on dividing the LTI remuneration value applicable to the position occupied by each executive director by an option value determined by the Black Scholes Merton valuation calculated using the 5 day VWAP for Orpheus shares traded on the ASX in the period commencing on the day after the release to the market of the 2013 Orpheus Annual Report.

The approved options were issued on Executive Directors on 9 November 2013:

Executive Director	LTI Value	Black-Scholes Valuation	No of options issued
Wayne Mitchell	$149,500	$0.0308	4,854,910
David Smith	$77,400	$0.0308	2,513,512
Wesley Harder	$57,000	$0.0308	1,851,036
	$283,900	$0.0308	9,219,458

970,000 options were also issued to a Non-Executive Director, to senior executives and to an employee under the Company's Long term Incentives Plan (LTI) on the same terms which applied to the issue of options to Directors on 9 November 2013:

	LTI Value	Black-Scholes Valuation	No of options issued
Barry Neal, Chief Financial Officer	$18,480	$0.0308	600,000
John Stone, Company Secretary	$3,080	$0.0308	100,000
Employee	$8,316	$0.0308	270,000
	$29,876	$0.0308	970,000

The approved options were issued to Executive Directors and other key management personnel (KMP) on 9 November 2013.

Details of unexercised options at 30 June 2014 and 30 June 2013 are disclosed in Note 20.

As at 30 June 2014 there were 25,014,458 unquoted and unexpired options. During the reporting period 100,000 options were cancelled on the resignation of a KMP. Unexpired options are exercisable at prices of $0.20 and $0.0607, and expire on 30 June 2017 and 30 September 2014.

Directors' Report

Significant changes in the state of affairs

Acquisition and sale of PT Alam Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP)

Orpheus previously announced that it has paid deposits to PT Mega Coal to acquire a 51% interest in two South Kalimantan tenements and on 1 July 2013 had converted these deposits of US$1 million for a 51% equity interest in PT Alam Duta Kalimantan ("ADK") and USD$200,000 for a 51% equity interest in PT Citra Bara Prima ("CBP"). The equity shares in these two companies were held by a nominee on behalf of Orpheus's fully owned subsidiary Orpheus Singapore Pte Ltd.

On 1 July 2014 Orpheus announced that it had sold its 51% equity stake in PT Alam Duta Kalimantan ("ADK") for US$3 million and its 51% equity stake in PT Citra Bara Prima ("CBP") for USD$1 million, back to the company's Indonesian partner PT Mega Coal.

Sale of option to acquire equity in Kalimantan regions concessions Blocks 3 and 4.

Orpheus previously announced that it has paid a deposit of A$2.2 million to acquire an interest in Kalimantan concessions Blocks 3 and 4.

On 1 July 2014 Orpheus announced that it had sold this option to take up equity in Blocks 3 and 4 back to the company's Indonesian partner PT Mega Coal for USD$2.2 million.

Sale of option to acquire equity in four (4) concessions in Papua

Orpheus previously announced that it has paid a deposit of A$2 million to acquire an interest in four (4) concessions in Papua.

On 1 July 2014 Orpheus announced that it had sold this option to take up equity in relation to two (2) of the concessions, back to the company's Indonesian partner PT Mega Coal for US$2.0 million. Orpheus has retained the option to acquire an equity interest in the remaining two concessions.

As the sale of these assets will be a disposal of the Company's main undertaking within the meaning of ASX Listing Rule 11.2 the sales were subject to the approval of Orpheus shareholders.

Singapore Holding Company

On 22 August 2013, Orpheus Energy Singapore Pte. Ltd., was registered in Singapore to hold the Group's interests in its Indonesian assets. The company is a fully owned subsidiary of Orpheus Energy Limited.

Agreement with SKJM Port operators in South Kalimantan

On 17 September 2013 Orpheus executed a binding agreement with the proprietor of SKJM Port in South Kalimantan to secure exclusive barge loading capacity in excess of 200,000 tonnes per month for a term of 10 years.

Matters subsequent to the end of the financial year

Sale of assets approved by shareholders

On 14 August 2014, a General Meeting of shareholders of the Company was held to approve the sale of the company's equity interests in ADK and CBP and interests in tenements B34 and Papua as required by ASX Listing Rule 11.2 being a disposal of the Company's main undertaking. The resolution was passed unanimously.

Further instalments on the sale of asset have been received post balance date:

- On 8 August 2014 IDR3,250,000,000 (A$292,792) and on 30 September 2014 IDR4,400,000000 ($414,310) received for the sale of CBP.

Likely developments and review of operations

Comments on review of operations of the Group are included in the annual report under summary of activities on pages 6 to 7.

Further information on likely developments in the operations of the Group and the expected result of operations have not been included in the annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Directors' Report

Environmental regulations

The Group is subject to environmental regulations in Australia and Indonesia with respect to mineral exploration and mining. To the best of the Directors' knowledge, all activities have been undertaken in compliance with these environmental regulations.

Directors' Meetings

The Company held 8 Directors' meetings during the year and 7 Audit and Risk Committee meetings.
The attendances of the directors in office during the year at meetings of the Board were:

Director	Board of Directors		Audit and Risk Committee	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
Wayne Mitchell	8	8	7	7
David Smith	8	8	-	-
Wesley Harder	8	8	1	1
Anthony King	6	6	6	6
Michael Rhodes	8	8	7	7

The Directors are pleased to present Orpheus Energy Limited's 2014 remuneration report which sets out remuneration information for the Company's executive directors, non-executive directors and other key management personnel.

(a) Details of Directors and Key Management Personnel during the year ended 30 June 2013

Wayne Mitchell	Chairman, Chief Executive Officer and Managing Director
David Smith	Executive Director
	Company Secretary (appointed 11 April 2014)
Wesley Harder	Director, Exploration Manager
Michael Rhodes	Non-executive Director
Anthony King	Non-executive Director (resigned 11 April 2014)
John Stone	Company Secretary (appointed 9 May 2013, resigned 11 April 2014))
Barry Neal	Chief Financial Officer

(b) Remuneration governance

The Company does not have a remuneration committee with remuneration decisions made by the Board on:-

- The over-arching executive remuneration framework
- Operation of the incentive plans which apply to the executive team including key performance indicators and performance hurdles
- Remuneration levels of executive directors and the key management personnel, and
- Non-executive director fees

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. During the reporting period the Board sought advice from Guerdon Associates as an independent remuneration consultant (see section (c) below).

(c) Use of remuneration consultants

In May 2013, the Board employed Guerdon Associates to review its remuneration policies and to provide recommendations on executive remuneration including short-term and long-term incentive plans. These recommendations covered the Group's key management personnel. Guerdon Associates presented there review on 28 June 2013. Under the terms of the engagement, Guerdon Associates provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $46,580 for these services in the current reporting period.

Guerdon Associates has confirmed that their recommendations have been made free from undue influence by members of the Group's key management personnel.

Remuneration Report (Audited)

The following arrangements were made to ensure that the remuneration recommendations were free from undue influences:-

- Guerdon Associates was engaged by, and reported directly to Mr Michael Rhodes, a Non-Executive Director. The agreement for the provision of remuneration consulting services was executed by this Non-executive Director under delegated authority on behalf of the Board.
- the report containing the remuneration recommendations was provided by Guerdon Associates directly to this Non-Executive Director.
- Guerdon Associates was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, Guerdon Associates was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

(d) Executive remuneration policy and framework

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable enabling the company to attract and retain key talent
- aligned to the Company's strategic and business objectives and the creation of shareholder value
- acceptable to shareholders

The executive remuneration framework has three components

- base pay and benefits, including superannuation;
- short-term incentives (STI's) - cash bonuses; and
- long-term incentives (LTI's) through participation in the Orpheus Employee Option Plan.

The payment of STI's and LTI's is conditional on the achievement of set performance criteria.

(e) Long-term incentives (LTI's)

The establishment of the Orpheus Long Term Incentive Plan (LTI) was approved by shareholders at the 2013 annual general meeting (AGM). The Plan is designed to provide long-term incentives for employees including directors to deliver long-term shareholder returns. Under the Plan, participants are granted options which only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

The amount of options that will vest and when they will vest depends on the achievement of performance hurdles as approved by shareholders at the Orpheus 2013 AGM. Options were granted during the financial year in two separate tranches, each with separate and independent performance hurdles.

Tranche 1: Cumulative tonnage shipped

50 per cent of the options are tested against a cumulative tonnage shipped target which requires at least 2 million cumulative tonnes of coal to be shipped from 1 July 2013. If the target is met after 2 years, 100% of the Tranche 1 options will vest. If the target is met after 3 years, 50% of the Tranche 1 options will vest. Options may vest progressively on a straight-line basis if the target is met between years 2 and 3.

Tranche 2: Annual EBITDA target

50 per cent of the options are tested against an annual EBITDA target which requires the annual EBITDA of Orpheus to be at least $3.5 million. If the target is met after 2 years (following preparation of the audited financial statements), 100% of the Tranche 2 options will vest. If the target is met after 3 years, 50% of the Tranche 2 options will vest.

Options granted under the Plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on 5 day VWAP for Orpheus shares traded on the ASX in the period commencing on the day after the release to the market of the 2013 Orpheus Annual Report.

Remuneration Report (Audited)

(f) Relationship between remuneration and the Group's performance

The table shows key performance indicators for the Group over the two years since listing.

	2014	2013
Coal tonnage (tonnes)	119,451	137,084
Coal sales revenue ($)	1,474,361	4,246,174
Loss for the year attributable to the owners of Orpheus Energy ($)	(4,062,006)	(3,603,206)
Basic earnings per share (cents)	(2.50)	(2.49)
EBITDA ($)	1,155,522	(3,015,811)
Net Tangible Assets (NTA) ($)	7,723,749	11,692,844
Dividend payment ($)	-	-
KMP remuneration ($)	1,011,071	863,466
Total KMP as a percentage of loss for the year (%)	24.89	23.96

(g) Non-executive Director remuneration policy

Non-executive Directors receive director's fees plus superannuation contributions to a complying fund. Non-executive Directors may receive performance based pay incentives through participation in the Orpheus Employee Option Plan.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration advisor.

(h) Shareholder approved directors' fees pool

The maximum annual aggregate directors' fee pool limit is $200,000 and was approved by shareholders at the 2010 annual general meeting held on 30 November 2010.

The following Directors' fees were paid in the reporting year:

	2014 $	2013 $
Directors fees including superannuation contribution (SGL)	178,537	177,125

(i) Voting and comments made at the company's 2013 Annual General Meeting

Orpheus Energy Limited received more than 84% of 'yes' votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

(j) Details of Remuneration

The following tables show details of remuneration received or accrued at year end by the Directors and the key management personnel of the Group for the current and previous financial years

2014	Short term employee benefits			Post Employment Benefit	Long Term	Share-based payments	Total
Name	Directors Fees	Salary	Consulting Fees	Super-annuation	Long Service Leave	Options	
	$	$	$	$	$	$	$
Directors							
W. Mitchell	50,000	200,000	-	23,124	-	59,369	332,493
D. Smith	30,000	188,609	-	20,221	-	30,737	269,567
W. Harder	30,000	135,000	-	15,263	-	22,636	202,899
A. King[1]	23,417	-	-	2,166	-	-	25,583
M. Rhodes	30,000	-	-	2,775	-	-	32,775
Other Key Management Personnel							
B. Neal (CFO)	-	-	124,800	-	-	7,337	132,137
J. Stone (Co Sec)[2]	-	-	14,800	-	-	817	15,617
	163,417	**523,609**	**139,600**	**63,549**	**-**	**120,896**	**1,011,071**

[1] Resigned 11 April 2014, [2] Appointed 9 May 2013 and resigned 11 April 2014

At 30 June 2014 short-term employee benefits of $225,752 included in the above table were unpaid.

Remuneration Report (Audited)

2013	Short term employee benefits			Post Employment Benefit	Long Term	Share-based payments	Total
Name	Directors Fees	Salary	Consulting Fees	Super-annuation	Long Service Leave	Options	
	$	$	$	$	$	$	$
Directors							
W. Mitchell	50,000	200,000	-	22,500	-	-	272,500
D. Smith	30,000	180,583	-	18,952	-	-	229,535
W. Harder	30,000	135,000	-	14,850	-	-	179,850
A. King	30,000	-	-	2,700	-	-	32,700
M. Rhodes[1]	22,500	-	-	2,025	-	-	24,525
Other Key Management Personnel							
D. Oastler (CFO) [2]	-	-	54,716	-	-	-	54,716
B. Neal (CFO) [3]	-	-	68,240	-	-	-	68,240
J. Stone (Co Sec) [4]	-	-	14,800	-	-	-	1,400
	162,500	**515,583**	**124,356**	**61,027**	**-**	**-**	**863,466**

[1] Appointed 1 October 2012, [2] Resigned 15 December 2012, [3] Appointed 15 December 2012, [4] Appointed 9 May 2013

(k) Service agreements

Remuneration and other terms of employment for the Chief Executive Officer, other Directors and key management personnel are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Other major provisions of the agreements relating to remuneration are set out below.

Name	Term of agreement	Based salary plus super (SGL)	Termination Benefit
Wayne Mitchell *Chief Executive Officer*	Ongoing commencing 28 Feb 2011	Salary $200,000 p.a. plus Directors fees of $50,000 plus superannuation (SGL)	12 Months
David Smith *Executive Director*	Ongoing commencing 27 July 2012 (amended)	Salary $190,000 p.a. plus Directors fees of $30,000 plus superannuation (SGL)	6 Months
Wesley Harder *Executive Director, Exploration Manager*	Ongoing commencing 28 Feb 2011	Salary $135,000 p.a. plus Directors fees of $30,000 plus superannuation (SGL)	6 Months
Michael Rhodes *Non-executive Director*	Ongoing commencing 1 October 2012	Directors fees of $30,000 plus superannuation (SGL)	Nil
Anthony King *Non-executive Director*	Ongoing commencing 2 Feb 2012	Directors fees of $30,000 plus superannuation (SGL)	Nil
Barry Neal *Chief Financial Officer*	Period 1 March 2013 to 28 Feb 2014 and ongoing at existing rate	Consultancy fee payable to a related entity $124,800 p.a. plus GST(part-time)	Nil
John Stone *Company Secretary*	Period 1 May 2013 to 30 April 2014	Consultancy fee payable to a related entity $100 p.h. plus GST(part-time)	Nil

(m) Details of share-based payments

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

When exercisable each option is convertible into one ordinary share of Orpheus Energy Group Limited.

Name	Date of Grant	Vesting Date	No of options granted	Exercise price	Expiry Date	Value of options
Wayne Mitchell	09.11.2013	30.06.16	4,854,910	$0.0607	30.06.17	$149,500
David Smith	09.11.2013	30.06.16	2,513,512	$0.0607	30.06.17	$77,400
Wesley Harder	09.11.2013	30.06.16	1,851,036	$0.0607	30.06.17	$57,000
Barry Neal	09.11.2013	30.06.16	600,000	$0.0607	30.06.17	$18,480

Additional information on share based payments made to Directors and KMP's is disclosed in para (n) below.

No shares have been issued as a result of the exercise of options granted as compensation to key management personnel during the years ended 30 June 2014 and 30 June 2013.

Remuneration Report (Audited)

(n) Bonuses and rights to deferred shares

Details of options issued under the Orpheus Employee Option Plan in the financial year as included in the tables are set out below. The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the vesting conditions are not met. The maximum value of the rights yet to vest has been determined as the amount of the grant date fair value of the rights that are yet to be expensed.

Name	Year granted FY2014	No granted	Value per share	Vested	Cancelled	Year in which shares may vest	Max. value yet to vest
W. Mitchell	2014	4,854,910	$0.0308	-	-	2016	$90,162
D. Smith	2014	2,513,512	$0.0308	-	-	2016	$46,679
W. Harder	2014	1,851,036	$0.0308	-	-	2016	$34,376
B. Neal	2014	600,000	$0.0308	-	-	2016	$11,143
J.Stone[1]	2014	100,000	$0.0308	-	(100,000)	2016	-

[1] Cancelled on resignation 11 April 2014.

(o) Equity instruments held by key management personnel

The tables below and on the following page show the number of:

(i) Options over ordinary shares in the company
(ii) Shares in the company

that were held during the financial year by key management personnel of the group, including their close family members and entities related to them.

There were no shares granted during the reporting period as compensation.

(p) Option holdings

2014	Balance at start of the year	Held at date of appointment / resignation	Granted as compensation	Expired	Balance at end of the year	Vested and exerciseable	Not Vested and Not Exercisable
Directors							
Wayne Mitchell	3,000,000	-	4,854,910	-	7,854,910	3,000,000	4,854,910
David Smith	1,500,000	-	2,513,512	-	4,013,512	1,000,000	2,513,512
Wesley Harder	1,500,000	-	1,851,036	-	3,351,036	1,500,000	1,851,036
Anthony King[1]	1,000,000	(1,000,000)	-	-	-	-	-
Other Key Management Personnel							
Barry Neal CFO	-	-	600,000	-	600,000	-	600,000
John Stone[1] (Company Secretary)	-	(100,000)	100,000	-	-	-	-
Total	**7,000,000**	**(1,100,000)**	**9,919,458**	**-**	**15,819,458**	**5,500,000**	**9,819,458**

Resigned 11 April 2014[1]

Details of options granted as remuneration, together with their terms and conditions are disclosed in para € above.

2013	Balance at start of the year	Held at date of appointment / resignation	Granted as compensation	Expired	Balance at end of the year	Vested and exerciseable	Vested and Not Exercisable (under escrow per ASX)*
Directors							
Wayne Mitchell	3,000,000	-	-	-	3,000,000	-	3,000,000
David Smith	1,500,000	-	-	-	1,500,000	500,000	1,000,000
Wesley Harder	1,500,000	-	-	-	1,500,000	-	1,500,000
Anthony King	1,000,000	-	-	-	1,000,000	-	1,000,000
Michael Rhodes [1]	-	-	-	-	-	-	-
Other Key Management Personnel							
C Hagan (Senior Advisor)	2,750,000	(2,750,000)	-	-	-	-	-
N Bartrop (Co Sec) [2]	250,000	(250,000)	-	-	-	-	-
D Oastler (CFO) [3]	250,000	(250,000)	-	-	-	-	-
Total	**10,250,000**	**(3,250,000)**	**-**	**-**	**7,000,000**	**500,000**	**6,500,000**

** Released from escrow on 17 August 2013, [1] Appointed 1 October 2012, [2] Resigned 16 July 2012, [3] Resigned 15 December 2012*

Remuneration Report (Audited)

(q) Share holdings

2014	Balance at start of year	Held at date of appointment or resignation	Purchased on market	Balance held at end of the year
Directors				
Wayne Mitchell	4,250,533	-	1,173,624	5,424,157
David Smith	20,167,150	-	2,356,865	22,524,015
Wesley Harder	1,578,068	-	123,175	1,701,243
Anthony King[1]	327,242	(503,242)	176,000	-
Michael Rhodes	70,000	-	-	70,000
Total	**26,392,993**	**(503,242)**	**3,829,664**	**29,719,415**

[1] *Resigned 11 April 2014*

2013	Balance at start of year	Held at date of appointment or resignation	Purchased on market	Balance held at end of the year
Directors				
Wayne Mitchell	1,516,828	-	2,733,705	4,250,533
David Smith	8,341,000	-	11,826,150	20,167,150
Wesley Harder	763,341	-	814,727	1,578,068
Anthony King	327,242	-	-	327,242
Michael Rhodes [1]	-	-	70,000	70,000
Other Key Management Personnel				
C Hagan (Senior Advisor)	961,109	(961,109)	-	-
N Bartrop (Co Sec) [2]	80,000	(80,000)	-	-
D Oastler (CFO) [3]	514,250	(514,250)	-	-
Total	**12,503,770**	**(1,555,359)**	**15,444,582**	**26,392,993**

[1] *Appointed 1 October 2012,* [2] *Resigned 16 July 2012,* [3] *Resigned 15 December 2012*

(r) Loans from key management personnel

Directors extended short term loans to the Company of $200,000 on 28 November 2013 repayable within six months of the drawdown of the loan. Interest was payable at the rate charged by Westpac Banking Corporation on business overdrafts exceeding $100,000 less 0.5%. This has been calculated as 7.33%.

On 23 June 2014 further loans were provided by Directors for a period of six months and the existing loans rolled over into the new loan for a period of six months. Total loans outstanding at 30 June 2014 were $450,632.

Aggregates for key management personnel

	Received during the year	Interest paid and payable for the year	Balance at end of the year	Number in group at the end of the year
2014	450,000	9,096	459,096	4

Aggregate amounts of the above transactions with key management personnel of the Group

	2014 $	2013 $
Amounts recognised as expenses		
Interest	9,095	-

Aggregate amounts payable to key management personnel of the Company at the end of the reporting period relating to the above types of transactions:

	2014 $	2013 $
Current liabilities	450,633	-

End of Remuneration Report (Audited)

Directors' Report

Auditor Independence

The directors received a declaration from the auditor of Orpheus Energy Limited which is appended to this report.

Non-Audit Services

There were no non-audit services provided by Hall Chadwick, the current auditor of the Company.

Indemnifying and Insurance of Directors and Officers

During or since the end of the previous financial year, the Company has given an indemnity or entered into an agreement to indemnity, or paid or agreed to pay insurance premiums as follows:
The Company has paid premiums to insure all of the Directors and key management personnel of the Company as named above, the Company Secretary, and all executive officers of the Company against any liability incurred as such by Directors, the Secretary or Executive Officers to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

This report has been made in accordance with a resolution of directors.

Wayne Mitchell, Chairman
30 September 2014

HALL CHADWICK

Chartered Accountants and Business Advisers

ORPHEUS ENERGY LIMITED
ABN 67 121 257 412
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ORPHEUS ENERGY LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

Graham Webb
Partner
Dated: 30 September 2014

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx : (612) 9263 2800

NEWCASTLE

Ph: (612) 4969 5521
Fx : (612) 4969 6059

PARRAMATTA

Ph: (612) 9687 2100
Fx : (612) 9687 2900

PENRITH

Ph: (612) 4721 8144
Fx : (612) 9263 2800

MELBOURNE

Ph: (613) 8678 1600
Fx : (613) 8678 1699

PERTH

Ph: (618) 6557 6200
Fx : (618) 9218 8950

BRISBANE

Ph: (617) 3211 1250
Fx: (617) 3211 1249

GOLD COAST

Ph: (617) 5538 2322
Fx : (617) 5526 8599

HALL CHADWICK
Chartered Accountants and Business Advisers

ORPHEUS ENERGY LIMITED
ABN 67 121 257 412
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF ORPHEUS ENERGY LIMITED

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx : (612) 9263 2800

NEWCASTLE

Ph: (612) 4969 5521
Fx : (612) 4969 6059

PARRAMATTA

Ph: (612) 9687 2100
Fx : (612) 9687 2900

PENRITH

Ph: (612) 4721 8144
Fx : (612) 9263 2800

MELBOURNE

Ph: (613) 8678 1600
Fx : (613) 8678 1699

PERTH

Ph: (618) 6557 6200
Fx : (618) 9218 8950

BRISBANE

Ph: (617) 3211 1250
Fx: (617) 3211 1249

GOLD COAST

Ph: (617) 5538 2322
Fx : (617) 5526 8599

Report on the Financial Report

We have audited the accompanying financial report of Orpheus Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

HALL CHADWICK

ORPHEUS ENERGY LIMITED
ABN 67 121 257 412
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF ORPHEUS ENERGY LIMITED

Auditor's Opinion

In our opinion:

a. the financial report of Orpheus Energy Limited is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(e) in the financial report which indicates that the company incurred a net loss of $4,062,006 and negative cash flows from operating activities of $2,906,017 during the year ended 30 June 2014. Note 1(e) also states that the company has $8,361,147 owing from the sale of Indonesian assets which is expected to be received during the 2015 financial year. These conditions, along with other matters as set forth in Note 1(e), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 18 to 22 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Orpheus Energy Limited for the year ended 30 June 2014 complies with s 300A of the Corporations Act 2001.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

Graham Webb
Partner
Dated: 30 September 2014

Directors' Declaration

In accordance with a resolution of the Directors of Orpheus Energy Limited, the Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 28 to 62, are in accordance with the Corporations Act 2001, and:

    a) comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;

2. in the Directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

3. the Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Wayne Mitchell
Chairman
30 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income
FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
		2014	2013
	Note	$	$
Revenue			
Sales revenue	4	84,521	4,246,174
Other revenue	4	1,322,394	76,427
Expenses			
Coal purchases and extraction costs		(100,904)	(3,888,382)
Royalty expenses		-	(193,661)
Project investigation and feasibility expenses		(190,899)	(930,485)
Consultancy and professional fees		(322,457)	(330,178)
Employment and related costs		(1,229,711)	(1,130,171)
Insurance expenses		(49,787)	(60,407)
Legal expenses		(57,974)	(137,195)
Depreciation and amortisation expense		(46,552)	(54,828)
Marketing and promotion expenses		(45,754)	(103,312)
Finance costs		(278,512)	(41,225)
Lease rental expenses and occupation costs		(190,814)	(158,022)
Compliance costs		(87,449)	(142,729)
Travel and accommodation expenses		(215,332)	(320,981)
Foreign currency translation losses		(81,659)	(207,813)
Share-based payments		(124,198)	-
Bad debts written off		(187,607)	(135,000)
Impairment of investment in exploration licences		(3,958,131)	(356,342)
Other expenses		(78,830)	(202,561)
Loss before income tax	5	**(5,839,655)**	**(4,070,691)**
Income tax expense	6	(527,114)	-
Net loss for the year from continuing operations		**(6,366,769)**	**(4,070,691)**
Profit from discontinued operations	26	2,304,763	467,485
Loss for the year		**(4,062,006)**	**(3,603,206)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(312,913)	543,303
Items that have been reclassified to profit or loss:			
Exchange differences on translation of foreign operations relating to discontinued operations		(38,707)	-
Total other comprehensive income for the year		**(351,620)**	**543,303**
Total comprehensive income for the year		**(4,413,626)**	**(3,059,903)**
Loss attributable to:			
Members of the parent entity		(3,755,846)	(3,648,269)
Non-controlling interests		(306,160)	45,063
		(4,062,006)	(3,603,206)
Total comprehensive income attributable to:			
Members of the parent entity		(4,088,691)	(3,150,446)
Non-controlling interests		(324,935)	90,543
		(4,413,626)	(3,059,903)
Earnings per share			
From continuing and discontinued operations:			
Basic and diluted (loss) per share (cents per share)	7	(2.50)	(2.49)
From continuing operations:			
Basic and diluted (loss) per share (cents per share)	7	(4.03)	(2.81)
From discontinued operations:			
Basic and diluted profit per share (cents per share)	7	1.53	0.32

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
AS AT 30 JUNE 2014

		Consolidated	
		2014	2013
	Note	$	$
ASSETS			
Current Assets			
Cash and cash equivalents	9	409,693	1,595,514
Trade and other receivables	10	8,672,165	447,765
Inventories		-	5,980
Total Current Assets		**9,081,858**	**2,049,259**
Non-Current Assets			
Deposits paid	11	1,061,150	5,239,395
Exploration, evaluation and development expenditure	12	-	4,323,110
Property, plant and equipment	13	71,790	217,454
Security deposits	14	84,519	84,090
Financial assets		-	605
Total Non-Current Assets		**1,217,459**	**9,864,654**
TOTAL ASSETS		**10,299,317**	**11,913,913**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	615,557	160,346
Employee provisions	16	92,625	60,723
Current tax liabilities	6	746,726	-
Borrowings	17	1,120,660	-
Total Current Liabilities		**2,575,568**	**221,069**
TOTAL LIABILITIES		**2,575,568**	**221,069**
NET ASSETS		**7,723,749**	**11,692,844**
EQUITY			
Issued capital	18	30,695,699	30,695,699
Reserves	19	975,594	1,184,241
Accumulated losses		(23,942,942)	(20,187,096)
Parent entity interest		7,728,351	11,692,844
Non-controlling interests		(4,602)	-
TOTAL EQUITY		**7,723,749**	**11,692,844**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Issued Capital Ordinary $	Accumulated losses $	Option Reserve	Foreign Currency Trans-lation Reserve	Non-controlling Interests $	Total Equity $
Balance at 1 July 2012		**28,332,145**	**(16,302,532)**	**733,815**	**(40,082)**	**1,460,335**	**14,183,681**
Loss for the year		-	(3,648,269)	-	-	45,063	(3,603,206)
Other comprehensive income		-	-	-	497,823	45,480	543,303
Total comprehensive income for the year		-	(3,648,269)	-	497,823	90,543	(3,059,903)
Transactions with owners in their capacity as owners:							
Shares issued during the year as settlement of a convertible note		2,363,554	-	-	-	-	2,363,554
Acquisition of non-controlling interests	25	-	(243,610)	-	-	(237,715)	(481,325)
De-recognition of non-controlling interests	26	-	-	-	-	(1,313,163)	(1,313,163)
Options expired during the year transferred to accumulated losses		-	7,315	(7,315)	-	-	-
		2,363,554	(236,295)	(7,315)	-	(1,550,878)	569,066
Balance at 30 June 2013		**30,695,699**	**(20,187,096)**	**726,500**	**457,741**	**-**	**11,692,844**
Balance at 1 July 2013		**30,695,699**	**(20,187,096)**	**726,500**	**457,741**	**-**	**11,692,844**
Loss for the year		-	(3,755,846)	-	-	(306,160)	(4,062,006)
Other comprehensive income		-	-	-	(332,845)	(18,775)	(351,620)
Total comprehensive income for the year		-	(3,755,846)	-	(332,845)	(324,935)	(4,413,626)
Transactions with owners in their capacity as owners:							
Acquisition of non-controlling interests	25	-	-	-	-	1,262,062	1,262,062
De-recognition of non-controlling interests	26	-	-	-	-	(941,729)	(941,729)
Options granted during the year		-	-	124,198	-	-	124,198
		-	-	124,198	-	320,333	444,531
Balance at 30 June 2014		**30,695,699**	**(23,942,942)**	**850,698**	**124,896**	**(4,602)**	**7,723,749**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
		2014	2013
	Note	$	$
Cash flows from operating activities			
Receipts from customers		164,885	4,079,063
Payments to suppliers and employees		(2,868,427)	(5,926,086)
Interest received		6,470	35,661
Interest paid		(208,945)	(4,337)
Net cash flows (used in) operating activities	9(a)	**(2,906,017)**	**(1,815,699)**
Purchase of plant and equipment		(2,637)	(187,321)
Payments for exploration and development expenditure		-	(808,067)
Refunds from exploration and development expenditure		284,238	
Proceeds from sale of subsidiaries, net of cash disposed		158,012	1,987,155
Proceeds from sale of deposits to acquire exploration tenements		172,000	-
Acquisition of additional interest in controlled entity		-	(481,325)
Deposits paid for interests in tenements		-	(690,266)
Net cash flows provided by (used in) investing activities		**611,613**	**(179,824)**
Cash flows from financing activities			
Proceeds from borrowings – related parties		450,000	-
Proceeds from borrowings – unrelated party		661,565	-
Net cash flows provided by financing activities		**1,111,565**	**-**
Net (decrease) in cash and cash equivalents		(1,182,839)	(1,995,523)
Cash and cash equivalents at beginning of period		1,595,514	3,585,127
Cash acquired on acquisition of subsidiaries		3,633	-
Effect of exchange rate changes on cash and cash equivalents		(6,615)	5,910
Cash and cash equivalents at end of period	9	**409,693**	**1,595,514**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

The financial report includes the financial statements and notes of Orpheus Energy Limited, a listed public company incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Orpheus Energy Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 30 September 2014 by the directors of the company.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements, which has been prepared in accordance with Australian Accounting Standards (‘AASBs’) , Australian Accounting Interpretations, other authoritative pronouncements, as issued by the Australian Accounting Standards Board (‘AASB’) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable financial information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards issued by the ISAB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2013

Consolidated financial statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

– AASB 10: Consolidated Financial Statements;

– AASB 12: Disclosure of Interests in Other Entities; and

– AASB 127: Separate Financial Statements.

AASB 10 provides a revised definition of “control” and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

The Group has applied these Accounting Standards with retrospective effect in accordance with their transitional requirements.

The first-time application of AASB 10 did not result in significant changes to the Group’s financial statements.

Employee benefits

The Group adopted AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The Group has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119.

The adoption of these Standards did not result in changes to the accounting for employee benefits that will significantly impact amounts recognised in the Group’s financial statements

(c) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1 (ab).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

d) Principles of consolidation

The consolidated financial statements comprise the assets, liabilities and results of entities controlled by Orpheus Energy Limited at the end of the reporting period.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to Note 25.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their shares of changes in equity since that date.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Details of subsidiaries are set out in Note 27.

Subsidiaries Bushveld Exploration (SA) Pty Ltd and Orpheus Energy (China) Co Limited are not consolidated because their combined influence on the Group's net assets, financial position and results of operations is not material. Their net sales are nil, they have no income and their net total equity amounts to 0.005% of total assets. These non-consolidated subsidiaries are measured at fair value or at cost when the fair value of unlisted equity instruments cannot be reliably measured and they are presented under the 'Financial assets, non-current' line item.

In preparing the consolidated financial statements all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

(e) Going concern basis

Notwithstanding the loss incurred during the current year amounting to $4,062,006 primarily as a result of Australian exploration assets written off and a negative cash flows from operating activities amounting to $2,906,017, the directors believe that the company is a going concern based on:

- The Group has $409,693 in cash at balance date;
- The Group has $8,361,147 owing from the sale of Indonesian assets which will be received during FY2015; and
- Group income from new projects including the sale of a new gold reagent product during FY2015.

Income from new projects and the sale of Indonesian assets will provide the necessary funds for the ongoing development of the company's new projects and to enable the company to pay its debt as and when they become due and payable.

(f) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement.

(g) Income tax

The income tax for expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authorities.

Deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognized outside profit or loss.

Except for business combinations, no deferred income tax is recognized from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a 'legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Orpheus Energy Limited and its fully owned Australian subsidiary Orpheus Energy Group Pty Limited have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(h) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of mining stocks includes direct materials, direct labour, and transportation costs to the stockpile.

(j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and short terms deposits are stated at nominal value.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is received from bank balances held by the company. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the sale of coal is recognised once shipments have been made and title to goods has passed to the customer.

All revenue is stated net of the amount of goods and services tax or VAT.

(l) Trade and other receivables

Trade receivables and other receivables, both of which generally have 30 day terms, are non-interest bearing and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. These receivables are classified as current assets.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(m) Trade and other payables

Trade payables and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the ATO is included with other receivables or payables in the statement of financial position

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included n receipts from customers or payments to suppliers

(o) Property, plant and equipment

Property, plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(p) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over the assets useful life from the time the asset is ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of fixed asset	Depreciation Rate per annum
Plant and Equipment	10% - 33%
Motor Vehicles	25 %
Computer Equipment	25% - 33%
Furniture and Equipment	10% - 33%
Leasehold improvements	Straight line over the balance of the lease term

The assets residual values and useful life are reviewed and adjusted if appropriate, at the end of each reporting period An assets recoverable amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Capitalised mine development costs

The cost of acquiring coal reserves and coal resources are capitalised on the statement of financial position as incurred. Capitalised costs (development expenditure) include expenditure incurred to expand the capacity of a mine and to maintain production. Mine development costs include acquired proved and probable coal reserves at fair value at acquisition date.

Coal reserves and capitalised mine development expenditure are, upon commencement of production, amortised over the remaining life of mine. The net carrying amounts of coal reserves and resources and capitalised of mine development expenditure at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent to which these values exceed their recoverable amounts, that excess is fully provided against in the financial period in which this is determined.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

(p) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(q) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and other comprehensive income.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs other than those incurred for the construction of any qualifying asset are expensed.

(t) Employee benefits – short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and personal leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating personal leave is recognised in the provision for leave. All other short-term employee benefit obligations are presented as payables

(u) Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(v) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(w) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements
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(x) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(y) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss

Group companies

The financial results and position of foreign operations, Whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(z) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Notes to the Consolidated Financial Statements
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Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(ii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards when adopted in future periods are discussed below:

(i) AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Notes to the Consolidated Financial Statements

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AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. The Group does not hedge and the new standard will have no impact.

(ii) AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

(iii) Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

(iv) AASB 2013–3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

(v) AASB 2013–4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Group does not hedge and the standard is not expected to significantly impact the Group's financial statements.

(vi) AASB 2013–5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

(ab) Significant accounting judgements, estimates and assumptions

In applying the Company's accounting policies, management continually evaluates judgements, estimates and assumptions based on historical experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. The more significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Impairment of loans to, and investment in, subsidiaries

Where a subsidiary entity incurs a loss, the parent entity assesses the recoverability of any loans due from, or investments in, any subsidiary. Where required, the parent entity will then record an impairment loss against the value of its loans to, or investment in, the subsidiary.

(ii) Useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and management judgement. In addition, the condition of assets is assessed annually and considered in the context of remaining useful life, and adjustments to useful life are made where necessary.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

(iii) Exploration and evaluation expenditure and impairment

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded, or where value of resources identified is estimated to exceed the carrying value of exploration expenditure

Where as a result of changes in circumstances or events sufficient uncertainty arises as to the recoverability of capitalised exploration and evaluation costs, such costs will be impaired. At the 30 June 2014 the Directors have resolved to fully impair Australian and Indonesian exploration assets of $3,958,131.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group holds the following financial instruments by category:

	Consolidated	
	2014	2013
	$	$
Financial assets		
Cash and cash equivalents	409,693	1,595,514
Trade and other receivables	8,672,165	447,765
Deposits	1,061,150	5,239,395
Security deposits	84,519	84,090
	10,227,527	7,366,764
Financial liabilities		
Trade and other payables	615,557	160,346
Short term loans	1,120,660	-
	1,736,217	160,346

The Company monitors its exposure to key financial risks, principally market risk (including currency risk), interest risk, credit risk and liquidity risk, with the objective of achieving the company's financial targets whilst protecting future financial security.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts and regular internal reporting. Credit risks are managed by credit limits and retention of the title over the investments sold.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. It reviews and agrees policies for managing each of the risks, including the use of derivatives, hedging cover of interest rate exposure, credit allowances, and future cash flow forecast projections.

(a) Market Risk

Foreign exchange risk

Exchange Risk arises whereby currency exchange rates may affect the assets and liabilities and the consolidation of companies within the group.

The company reports in Australian Dollars, however the operating currency of the Indonesian subsidiaries is the Indonesian Rupiah (IDR) and the operating currency for the Singapore subsidiary is US$. Exchange risk is minimised by funding the Indonesian operations from Indonesian generated funds. Analysis is undertaken by the company to assist in managing and reducing risks where practical arising from potential movements in foreign exchange rates.

At 30 June 2014 if exchange rates had increased/decreased by 500 basis points from the year end rates with all other variables held constant, the profit increased/decreased would be immaterial.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(b) Interest Risk

The Group's borrowings during 2014 were at fixed rates and were in A$ and Indonesian IDR. Fixed rate borrowings and receivables are carried at amortised cost. They are not therefore subject to interest rate risk as defined in AASB 7, since neither the carrying amount not the future cash flows will fluctuate because of a change in market interest rates.

The Group's interest rate risk arises from cash equivalents with variable interest rates. The average interest rate applicable during the reporting period 2.50% (2013: 2.10%).

Group sensitivity

At 30 June 2014 if interest rates had increased/decreased by 50 basis points from the year end rates with all other variables held constant, the result would not be material.

Based on movements in interest rates the company regularly reviews the deployment of funds and the exposure to interest rate risk in conjunction with currency and exchange rate risk in order to manage these risks in line with corporate objectives.

(c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from other third parties, investments, banks and financial institutions.

Investments, banks and financial institutions

The Group limits its exposure to credit risk by only limiting transactions with high credit quality financial institutions that have an external credit rating.

Trade and other receivables

With regard to the Company's coal trading activity, the Group does not have any material credit risk exposure to any single receivable or entity with receivables paid within 30 day terms.
With regard to receivables due from the sale of assets credit risk exposure has been minimised by obtaining guarantees from the debtor and payment based on payment from income from coal mining activities.

(d) Liquidity Risk

The table below reflects all contractually fixed pay-offs and receivables for settlement from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2014. The amounts disclosed are undiscounted cash flows anticipated to eventuate in the next fiscal year.
Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014.

	Total	< 6 Mths	6-12 Mths	1-5 Yrs
2014	**$**	**$**	**$**	**$**
Financial assets				
Cash and cash deposits	409,693	409,693	-	-
Trade and other receivables	8,672,165	4,478,395	3,663,195	530,575
	9,081,858	**4,888,088**	**3,663,195**	**530,575**
Financial liabilities				
Trade and other payables	615,557	615,557	-	-
Current tax liabilities	344,020	344,020	-	-
Short term loans	1,120,660	1,120,660	-	-
	2,080,237	**2,080,237**	**-**	**-**
Net maturity	**7,001,621**	**2,807,851**	**3,663,195**	**530,575**
2013				
Financial assets				
Cash and cash deposits	1,595,514	1,595,514	-	-
Trade and other receivables	447,765	447,765	-	-
	2,043,279	**2,043,279**	**-**	**-**
Financial liabilities				
Trade and other payables	160,346	160,346	-	-
	160,346	**160,346**	**-**	**-**
Net maturity	**1,882,933**	**1,882,933**	**-**	**-**

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The contractual maturities of the company's financial assets and liabilities set out in the table are equivalent to the maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values in the table reflects a balanced view of cash inflows and outflows.

(e) Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements, and unless specifically stated, carrying value approximates fair value for all financial instruments.

3. SEGMENT REPORTING

The principal geographical areas of operation of the Consolidated Entity are as follows:

Australia
Indonesia
Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.

Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

	Australia $	Indonesia $	Total $	Australia $	Indonesia $	Total $
	Financial year ended 30 June 2014			Financial year ended 30 June 2013		
Revenue:						
Total segment sales revenue	-	84,521	84,521	-	4,246,174	4,246,174
Inter-segment revenue	-	-	-	-	-	-
Total Revenue from external customers	**-**	84,521	84,521	**-**	4,246,174	4,246,174
Segment result	(4,799,194)	(1,567,575)	(6,366,769)	(2,222,060)	(1,848,631)	(4,070,691)
Profit from discontinued operations	-	2,304,763	2,304,763	-	467,485	467,485
Net Loss	(4,799,194)	737,188	(4,062,006)	(2,222,060)	(1,381,146)	(3,603,206)
Non-cash items included in loss above:						
Depreciation and amortisation	23,264	23,288	46,552	27,121	27,707	54,828
Bad debts written off	-	187,607	187,607	135,000	-	135,000
Share-based payments	124,198	-	124,198	-	-	-
Impairment of investment in exploration licences	3,646,412	311,719	3,958,131	356,342	-	356,342

	Australia $	Indonesia $	Total $	Australia $	Indonesia $	Total $
	As at 30 June 2014			As at 30 June 2013		
Assets:						
Segment assets	29,226,582	711,690	29,938,272	26,788,625	3,500,407	30,289,032
Inter segment eliminations	(19,638,955)	-	(19,638,955)	(17,405,624)	(969,495)	(18,375,119)
	9,587,627	711,690	(10,299,317)	9,383,001	2,530,912	11,913,913
Liabilities:						
Segment liabilities	17,902,412	3,444,934	21,347,346	13,620,254	4,583,663	18,203,917
Inter segment eliminations	(18,771,778)	-	(18,771,778)	(13,434,108)	(4,548,740)	(17,982,848)
Total Liabilities	(869,366)	3,444,934	2,575,568	186,146	34,923	221,069

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

4. REVENUE

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenue and other income			
Sales of coal		-	4,181,253
Commissions received on coal sales contracts		84,521	64,921
		84,521	4,246,174
Other revenue			
Profit on sale of Papua, B3 and B4 concessions		1,309,207	-
Interest received		6,898	35,661
Unrealised foreign currency translation gains		-	33,805
Other revenue		6,289	6,961
		1,322,394	76,427
From discontinued operations			
Sale of coal[1]	26	1,389,840	381,570

[1] On 7 May 2014 the Group's 51% equity in PT Alam Duta Kalimantan was sold with the coal mining operation taken over by the new owners as from this date. Income from this coal mining company from 1 July 2013 up to the date of sale is set out in Note 26.

5. EXPENSES

	2014	2013
Finance costs – interest owing to related parties	9,096	-
Finance costs – interest paid to other persons	269,416	41,225
Bad debts written off	187,607	135,000
Rental expense on operating leases	190,814	158,022
Impairment of investment in exploration licences	3,958,131	356,342
Depreciation and amortisation	46,552	54,828
Amortisation of mine development costs	-	74,626
Unrealised foreign currency translation losses	76,092	-
Realised foreign currency translation losses	5,567	207,813

6. INCOME TAX

	Consolidated 2014 $	Consolidated 2013 $
(a) Income tax expense		
Current tax	563,632	-
Income tax expense attributable to:		
Loss from continuing operations	527,114	-
Profit from discontinued operations	219,612	-
Aggregate income tax expense	746,726	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(5,839,655)	(4,070,691)
Profit from discontinuing operations before income tax expenses	2,524,375	467,485
	(3,315,280)	(3,603,206)

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

6. INCOME TAX

	Consolidated 2014 $	Consolidated 2013 $
Tax at the Australian tax rate of 30% (2013: 30%)	994,584	(1,080,962)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible items	278,471	42,552
Share-based payments	37,259	-
Impairment of investment in exploration licenses	(1,345,813)	104,812
Non-taxable accounting profit on sale of investments	694,200	(142,894)
Indonesian tax on gain on disposal of tenements and shares	52,527	
Difference in overseas tax rates	80,444	69,383
Foreign exchange	22,828	
Other deductible items	(1,856,715)	(156,803)
Deferred tax assets not recognised	2,684,185	1,163,912
Income tax expense	746,726	-

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account are as follows:

– Tax losses	5,149,899	2,576,195
– Temporary differences	117,327	776,748
	5,267,226	3,352,943

7. EARNINGS/(LOSS) PER SHARE

	Consolidated 2014 Cents per Share	Consolidated 2013 Cents per Share
(a) Basic and diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(4.03)	(2.81)
From discontinued operations	1.53	0.32
Total basic earnings per share attributable to the ordinary equity holders of the company	**(2.50)**	**(2.49)**

(b) Reconciliaton of earnings used in calculating earnings per share

	Consolidated 2014 $	Consolidated 2013 $
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share		
From continuing operations	(6,060,609)	(4,115,754)
From discontinuing operations	2,304,763	467,485
	(3,755,846)	(3,648,269)

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

7. EARNINGS/(LOSS) PER SHARE

(c) Weighted average number of shares

	Consolidated 2014 No	Consolidated 2013 No
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	150,256,371	146,371,078
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	150,256,371	146,371,078

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share

	2014	2013
Options	25,014,458	14,925,000

8. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2014 $	Consolidated 2013 $
(a) Hall Chadwick Australia		
Auditing or reviewing the financial reports	61,000	50,750
Total remuneration of Hall Chadwick Australia	61,000	50,750
(b) Component auditors		
Auditing or reviewing the financial statements	17,784	17,673
Tax compliance services	-	42,742
Total remuneration of component auditors	17,784	60,415
Total auditor's remuneration	**78,784**	**111,165**

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

9. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2014 $	2013 $
Cash at bank and on hand	409,693	1,595,514
(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Net loss	(4,062,006)	(3,603,206)
Non cash flows in loss:		
Expenses		
Bad debts written off	187,607	135,000
Depreciation and amortisation expense	699,010	54,828
Impairment of investment in exploration licenses	3,958,131	356,342
Profit on sale of Papua, B3 and B4 concessions	(1,309,207)	-
Gain on disposal of discontinued operations	(3,176,834)	(437,951)
Accrued interest	9,096	36,888
Share-based payments expenses	124,198	-
Net exchange differences	81,659	174,009
Changes in assets and liabilities net of the effects of acquisitions of subsidiaries		
(Increase)/decrease in trade and other receivables	(11,596)	867,304
Decrease/(increase) in inventories	5,980	(5,980)
(Decrease)/increase in trade and other payables	(190,683)	564,063
Increase in employee provisions	31,902	43,004
Increase in tax liabilities	746,726	-
Net cash (used in) operating activities	**(2,906,017)**	**(1,815,699)**

10. TRADE AND OTHER RECEIVABLES

		Consolidated	
	Note	2014 $	2013 $
CURRENT			
Trade debtors		-	109,812
Other receivables – owing on sale of subsidiaries	(i), (ii)	8,361,147	-
Prepayments		46,284	146,076
Advances		264,734	191,877
		8,672,165	447,765

(i) Deferred payment owing on sale of subsidiaries PT Alam Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP). Refer to Note 11 for further details.

	ADK $	CBP $
Sale Price	3,205,128	1,061,150
Cash received	(178,623)	-
Balance at 30 June 2014	**3,026,505**	**1,061,150**

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

10. TRADE AND OTHER RECEIVABLES

(i) Deferred payment owing on sale of tenements B34 and Papua . Refer to Note 11 for further details.

	B34 $	Papua $
Sale Price	2,323,193	2,122,299
Cash received	(172,000)	-
Balance at 30 June 2014	**2,151,193**	**2,122,299**

The Board has resolved not to make a provision for impairment of the amounts owing on the sale of subsidiaries despite the fact that the amount is overdue as the vendor (MCI) has provided a guarantee of repayment. In addition, the vendor has signed offtake agreements for the sale of coal from ADK and CBP from which cash flows will be used to repay the amounts owing to Orpheus.

11. DEPOSITS PAID

		Consolidated 2014 $	2013 $
Deposit for acquisition of interests in :			
Papua concessions	(i)	1,061,150	2,000,000
B3 and B4 concessions	(ii)	-	2,200,000
PT Alam Duta Kalimantan (ADK mine)	(iii)	-	820,575
PT Citra Bara (CBP)	(iv)	-	218,820
		1,061,150	5,239,395

(i) The company previously advanced deposits toward the acquisition of four concessions in Papua while due diligence and site assessments were to be undertaken. These advances have been secured over the operating mine, ADK, operated by MCI owned PT Alam Duta Kalimantan and by various personal guarantees of the directors of Mega Coal. Two of these concessions were sold back to MCI on 8 April 2014 as disclosed in Note 10.

(ii) Deposit previously paid for interests in the Kalimantan region concessions being Block 3 and Block 4 were sold back to MCI on 13 May 2014 as disclosed in Note 10.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

11. DEPOSITS PAID

(iii) On 1 July 2014 Orpheus acquired a 51% interest in PT Alam Duta Kalimantan, which operates the ADK mine in South Kalimantan for a consideration of USD$1,000,000. Deposits of USD$750,000 (A$820,575) had been paid as at 30 June 2013 (refer Note 25).
Effective from 7 May 2014 Orpheus sold this 51% equity interest in ADK back to Mega Coal for US$3 million (A$3,205,128) as disclosed in Note 26.

(iv) On 1 July 2014 Orpheus acquired a 51% interest in PT Citra Bara, which held coal tenements in South Kalimantan, for a consideration of USD $200,000. A deposit of USD$200,000 (A$218,820) had been paid as at 30 June 2013 (refer Note 25).
Effective from 13 May 2014 Orpheus sold this 51% equity interest in CBP back to Mega Coal for USD$1 million (A$1,068,376) as disclosed in Note 10.

12. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

			Consolidated	
			2014	2013
		Note	$	$
(a)	Australian tenements			
	Acquisition			
	Exploration and development expenditure		6,646,500	6,723,910
	Less: Provision for impairment	(i)	(6,646,500)	(3,077,497)
			-	3,646,413
(b)	Indonesian tenements			
	Exploration and development expenditure	(ii)	-	676,697
	Less: Provision for impairment		-	-
			-	676,697
	Total exploration, evaluation and development expenditure		**-**	**4,323,110**
	Movements in exploration and evaluation expenditure			
	Balance at beginning of year		4,323,110	7,142,561
	Exploration and evaluation expenditure		-	808,067
	Impairment charge		(3,958,131)	(356,342)
	Acquisition through business combinations		428,885	-
	Disposals		(428,885)	(3,271,176)
	Foreign exchange translation		(80,740)	-
	Expenditure recovered		(284,239)	-
	Balance at end of year		**-**	**4,323,110**

(i) The Hodgson Vale and Ashford Tenements were acquired from Coalworks Limited under agreements ratified by shareholders of the company on 30 November 2010. Consideration for these tenements was by way of the issue of Shares and Options upon relisting on ASX in August 2011. The Board have resolved not to renew the exploration licences for the Hodgson Vale and Ashford tenements and the remaining value of these tenements in the books of the Company has been fully impaired

(ii) Capitalised exploration costs on Indonesian tenements have been offset against the sale of Indonesian subsidiaries ADK and CBP and the sale of interests in B34 and Papua concessions.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

13. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles $	Furniture & Equipment $	Computer Equip-ment $	Plant and Equip-ment $	Leasehold Improve-ments $	Capital Works in Progress $	Building and Equip-ment $	Mine Develo-ment Costs $	Total $
30 June 2013									
Opening net book value	35,341	5,898	30,730	11,442	4,050	-	-	-	87,461
Additions	-	31,572	7,588	85,669	3,864	58,633	-	-	187,326
Exchange differences	(1,912)	(33)	(130)	(430)	-	-	-	-	(2,505)
Depreciation and amortisation	(8,396)	(6,106)	(14,013)	(21,093)	(5,220)	-	-	-	(54,828)
Balance at 30 June 2013	25,033	31,331	24,175	75,588	2,694	58,633	-	-	217,454
At 30 June 2013									
Cost or fair value	36,405	38,649	49,868	100,376	10,726	58,633	-	-	294,657
Accumulated depreciation	(11,372)	(7,318)	(25,693)	(24,788)	(8,032)	-	-	-	(77,203)
Net book balance	**25,033**	**31,331**	**24,175**	**75,588**	**2,694**	**58,633**	**-**	**-**	**217,454**
30 June 2014									
Opening net book value	25,033	31,331	24,175	75,588	2,694	58,633	-	-	217,454
Additions/(Disposals)	-	-	2,637	-		(54,982)	-	-	(52,345)
Acquisition through business combinations	-	-	-	-	-	-	229,985	1,869,915	2,099,900
Exchange differences	(4,415)	(119)	(3,347)	(38,885)	-	-	-	-	(46,767)
Depreciation and amortisation	(7,883)	(7,449)	(10,805)	(15,476)	(1,288)	(3,651)	(61,699)	(529,330)	(637,581)
Assets included in discontinued operations	-	-	-	-	-	-	(168,286)	(1,340,585)	(1,508,871)
Balance at 30 June 2014	12,735	23,763	12,659	21,227	1,406	-	-	-	71,790
At 30 June 2014									
Cost or fair value	29,109	38,465	50,589	48,295	10,726	-	-	-	177,184
Accumulated depreciation	(16,374)	(14,702)	(37,930)	(27,068)	(9,320)	-	-	-	(105,394)
Net book balance	**12,735**	**23,763**	**12,659**	**21,227**	**1,406**	**-**	**-**	**-**	**71,790**

* Included in depreciation and amortisation are $591,029 relating to discontinued operations.

14. SECURITY DEPOSITS

	Consolidated 2014 $	Consolidated 2013 $
Security deposits to:		
Security bonds on tenements	10,000	10,000
Sydney Head Office lease	74,519	74,090
	84,519	84,090

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

15. TRADE AND OTHER PAYABLES

	Consolidated 2014 $	Consolidated 2013 $
CURRENT		
Trade payables	204,279	130,407
PAYG and related payroll liabilities	117,323	5,606
Accrued interest	60,471	-
Amounts payable to Mega Coal entities	59,147	-
Deposits received	19,847	-
Accrued expenses	154,490	24,333
	615,557	160,346

16. EMPLOYEE PROVISIONS

	Consolidated 2014 $	Consolidated 2013 $
Employee benefits	92,625	60,723

17. BORROWINGS

	Consolidated 2014 $	Consolidated 2013 $
CURRENT		
Loans from related parties – unsecured [1]	459,095	-
Other loans – unsecured [2]	661,565	
	1,120,660	-

1. Directors extended short term loans to the Company of $200,000 on 28 November 2013 repayable within six months of the drawdown of the loans. Interest was payable at the rate charged by Westpac Banking Corporation on business overdrafts exceeding $100,000 less 0.5%.
   On 23 June 2014 further loans were provided by Directors and the existing loans rolled over into a new loan for a term of six months. The total amount of loans outstanding at 30 June 2014 was $450,000 and accrued interest of $9,096. Refer to the Remuneration Report for further details.
2. Loans have been provided for the upgrade of the SKJM Port in South Kalimantan
   - The initial loan is for IDR 10,000,000,000 (USD$1 million) signed on 3 September 2013 with repayment to be made by 3 September 2014 with interest payable at 2% per month on the outstanding balance. The company is in the process of negotiating an extension of the terms of these loans.
   - A further loan of IDR 2,000,000,000 (US$200,000) was entered into on 29 November 2013 and drawn down on 29 November and 4 December 2013. Repayment is by means of a funding fee payable on coal tonnage shipped through the SKJM Port on or before February 2014. The company is in the process of negotiating an extension of the terms of these loans.
   - At 30 June 2014 the amount owing on these loan was IDR750,000,000 (A$661,565) and accrued interest was IDR 685,537,635 (A$60,470).

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

18. ISSUED CAPITAL

(a) Share capital

	2014 Shares	2013 Shares	2014 $	2013 $
Ordinary shares fully paid	150,256,271	150,256,271	30,695,699	30,695,699

(b) Movements in ordinary share capital

		No of shares	Issue Price	$
1 July '12	Balance	132,075,191	-	28,332,145
	Issued upon conversion of convertible notes	18,181,080	$0.13	2,363,554
30 June '13	Balance	150,256,271	-	30,695,699
30 June '14	Balance	150,256,271	-	30,695,699

(c) Options

Information relating to options issued, exercised and lapsed during the financial year and option outstanding at the end of the reporting period is set out in Note 20.

(d) Capital management

The Group and the parent entity's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group and the parent entity continually monitor capital on the basis of budgeted expenditure.

The Group had no long-term debt at balance date and depends on capital raising and short term loans to fund capital and operating expenditure.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains at less than 15%. The gearing ratios for the years ended 30 June 2014 and 30 June 2013 are as follows:

	Consolidated	
	2014 $	2013 $
Total borrowings	1,736,217	160,346
Less cash and cash equivalents	(409,693)	(1,595,514)
Net debt	1,326,524	(1,435,168)
Total equity	8,126,455	11,692,844
Total capital	9,452,979	10,257,676
Gearing ratio	14%	(14%)

19. RESERVES

	Consolidated	
	2014 $	2013 $
(a) Other Reserves		
Share-based payments reserve	850,698	726,500
Foreign currency translation reserve	124,896	457,741
	975,594	1,184,241

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

19. RESERVES

	Consolidated 2014 $	Consolidated 2013 $
(b) Movements		
Share-based payments reserve		
Balance at beginning of financial year	726,500	733,815
Transfer to accumulated losses	-	(7,315)
Share-based payments	124,198	-
Balance at end of financial year	850,698	726,500
Foreign exchange translation reserve		
Balance at beginning of financial year	457,741	(40,082)
Exchange difference on discontinued operations	(19,741)	21,079
Currency translation differences arising during the year	(313,104)	476,744
Balance at end of financial year	124,896	457,741

(c) Nature and purpose of reserves

(i) Foreign exchange translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

(ii) Share-based payments reserve

The share-based payments reserve represents the value of options and shares issued to employees and shareholders. This reserve will be reversed against share capital when the options are converted into shares by the employee.

20. SHARE-BASED PAYMENTS

(a) Set out below are summaries of options granted and unexercised at reporting date

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2014								
30 Nov'10	30 Sep'14	$0.20	12,750,000	-	-	-	12,750,000	12,750,000
08 Aug'11	04 Aug'14	$0.25	1,000,000	-	-	-	1,000,000	1,000,000
17 Aug'11	30 Sep'14	$0.20	1,175,000	-	-	-	1,175,000	1,175,000
01 Jul' 13	30 Jun'17	$0.06	-	10,189,458	-	(100,000)	10,089,458	-
			14,925,000	10,189,458	-	(100,000)	25,014,458	14,925,000
Weighted average exercise price			*$0.20*	*$0.06*	-	*$0.06*	*$0.15*	*$0.20*

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.36 years (2013: 1.27 years)

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2013								
30 Nov'10	30 Sep'14	$0.20	12,750,000	-	-	-	12,750,000	12,750,000
08 Aug'11	04 Aug'14	$0.25	1,000,000	-	-	-	1,000,000	1,000,000
17 Aug'11	30 Sep'14	$0.20	1,175,000	-	-		1,175,000	1,175,000
08 Sep' 07	08 Sep'12	$2.63	1,619,049	-	-	(1,619,049)	-	-
			16,544,049	-	-	(1,619,049)	14,925,000	14,925,000
Weighted average exercise price			*$0.44*	-	-	*$2.63*	*$0.20*	*$0.20*

The weighted average remaining contractual life of the share options outstanding at the end of the period was 1.36 years (2013: 1.24 years).

Options granted carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

20. SHARE-BASED PAYMENTS

(b) Orpheus Long Term Incentive Plan (LTI)

The establishment of the Orpheus Long Term Incentive Plan (LTI) was approved by shareholders at the 2013 annual general meeting (AGM). The Plan is designed to provide long-term incentives for employees including directors to deliver long-term shareholder returns. Under the Plan, participants are granted options which only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Pan or to receive any guaranteed benefits.

The amount of options that will vest and when they will vest depends on the achievement of performance hurdles as approved by shareholders at the Orpheus 2013 AGM. Options have been granted in two separate tranches, each with separate and independent performance hurdles.

Tranche 1: Cumulative tonnage shipped

50 per cent of the options are tested against a cumulative tonnage shipped target which requires at least 2 million cumulative tonnes of coal to be shipped from 1 July 2013. If the target is met after 2 years, 100% of the Tranche 1 options will vest. If the target is met after 3 years, 50% of the Tranche 1 options will vest. Options may vest progressively on a straight-line basis if the target is met between years 2 and 3.

Tranche 2: Annual EBITDA target

50 per cent of the options are tested against an annual EBITDA target which requires the annual EBITDA of Orpheus to be at least $3.5 million. If the target is met after 2 years (following preparation of the audited financial statements), 100% of the Tranche 2 options will vest. If the target is met after 3 years, 50% of the Tranche 2 options will vest.

Options granted under the Plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on 5 day VWAP for Orpheus shares traded on the ASX in the period commencing on the day after the release to the market of the 2013 Orpheus Annual Report.

Set out below is a summary of options granted under the Plan:

Grant Date	Expiry Date	Exercise Price	Balance at start of the period Number	Granted during the period Number	Balance at end of the period Number	Vested and exercisable at end of the period Number
1 Nov'13	30 June '16	$0.0607	-	10,189,458	10,089,458	-

Fair value of options granted

50 per cent of the options are tested against a cumulative tonnage shipped target which requires at least 2 million cumulative tonnes of coal to be shipped from 1 July 2013. If the target is met after 2 years, 100% of the Tranche 1 options will vest. If the target is met after 3 years, 50% of the Tranche 1 options will vest. Options may vest progressively on a straight-line basis if the target is met between years 2 and 3.

The model inputs for options granted during the year ended 30 June 2014 included:

(a) Options are granted for no consideration and vest on 30 June 2016 based on the hurdles specified for Tranche 1 and 2 as disclosed in the Remuneration Report. Vested options are subject to an additional 'exercise condition', which requires that the average closing market price of Orpheus shares over the previous 10 trading days must be at least 30% higher than the exercise price before the options become exercisable.

(b) Exercise price: $0.0607

(c) Expiry date: 30 June 2017

(d) Share price at grant date: $0.055

(e) Expected volatility of the company's shares: 80%

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

20. SHARE-BASED PAYMENTS

(g) Expected dividend yield: Nil

(h) Risk-free interest rate: 3.06%

Vesting

None of the options issued under the LTI have vested as neither of the vesting conditions has been met. In addition the options will not vest before two years.

Expenses arising from share-based payment transactions

Total expense arising from share-based payment transactions recognised during the period as part of employee benefit expenses was as follows:

	Consolidated	
	2014	2013
	$	$
Options expensed	124,198	-

21. COMMITMENTS

	Consolidated	
	2014	2013
	$	$
(a) Capital commitments		
Balance due for acquisition of 51% interest in ADK*	-	273,525

* *Acquisition of a 51% interest in (ADK) PT Alam Duta Kalimantan for USD $1 million (Total paid at balance date was USD $750,000) The amount outstanding at balance date based on an exchange rate at that time of $1AUD = $1.0941USD. This amount owing was settled as part of the proceeds for the sale of equity in ADK on 7 May 2014.*

(b) Lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- Within one year	111,444	107,157
- Later than one year but not later than five years	56,814	168,258
	168,258	275,415
(c) Exploration commitments		
Minimum expenditure commitments for mining tenements		
- Within one year	-	507,000

Under the terms of the granting of the Australian exploration licences certain expenditure or diligent efforts are required to be demonstrated periodically to the relevant government authorities. As disclosed in Note 12 at 30 June 2014 the Company has advised the relevant government authorities that it wishes to surrender the Australian exploration licences held for Hodgson Vale and Ashford and therefore has no forward exploration commitments.

22. CONTINGENT LIABILITIES

he Group had no known contingencies at 30 June 2014 and 30 June 2013.

23. AFTER BALANCE DATE EVENTS

Sale of assets approved by shareholders

On 14 August 2014, a General Meeting of shareholders of the Company was held to approve the sale of equity in ADK and CBP and interests in tenements B34 and Papua as required by ASX Listing Rule 11.2 being a disposal of the Company's main undertaking. The resolution was passed unanimously.

Further instalments on the sale of asset have been received post balance date:-

- On 8 August 2014 IDR3,250,000,000 (A$292,792) and on 30 September 2014 IDR4,400,000000 ($414,310) received for the sale of CBP.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

24. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent entity

The parent entity within the Group is Orpheus Energy Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 27.

(c) Joint ventures

Under a Strategic Alliance Agreement, the company has entered co-operation, Joint Venture, entity acquisition, funding, profit share and related agreements with the Indonesian company Mega Coal and related parties. Prior to entering agreements the company undertook an assessment and engaged where considered appropriate, external experts to assist in the companies due diligence reviews. Significant agreements entered into are summarised below:

Agreements were entered into to acquire Interests in the entities owning the concessions known as B34 in Kalimantan and in Papua concessions and deposits were previously paid in relation to these agreements as disclosed in Note 11. On 23 March 2014 the B34 concession and on 8 April 2014 two of the four Papua concessions were sold back to Mega Coal. These entities are related parties of Mega Coal.

Agreements were also entered into to acquire from the existing shareholders, a 51% interest in PT Alam Duta Kalimantan which owns the mining concessions known as ADK and in CBP. The existing shareholders in these entities are related parties to Mega Coal. On 1 July 2014 the deposits paid in relation to these entities were converted to equity holdings by Orpheus and on 7 May 2014 the equity in ADK and on 13 May the equity in CBP was sold back to Mega Coal.

(d) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

Disclosures in relation to key management personnel are set out in the Remuneration Report and in Note 28.

(e) Loans from related parties

Short term loans have been extended to the Company by Directors. The total amount of loans outstanding at 30 June 2014 was $459,095. Details of these loans are disclosed in Note 17 and in the Remuneration Report.

25. BUSINESS COMBINATIONS

(a) Acquisition of PT Alam Duta Kalimantan and PT Citra Bara Prima

(i) Summary of acquisitions

Effective from 1 July 2013 the parent entities fully owned subsidiary PT Orpheus acquired 51% of the issued share capital of PT Alam Duta Kalimantan (“ADK”) and PT Citra Bara Prima (“CBP”). The equity shares in these two companies are held by a nominee on behalf of PT Orpheus Energy as this entity is not permitted to have foreign shareholders. On the formation of Orpheus Singapore Pte Ltd on 22 August 2013, a fully owned subsidiary of the parent entity, the shares in ADK and CBP are now held by the nominee on behalf of this entity.

Details of the purchase consideration and the net assets acquired are as follows:

	ADK $	CBP $
Purchase consideration		
Conversion of deposits to equity in ADK and CBP	820,575	218,820
Balance due and payable	273,525	-
Total purchase consideration	1,094,100	218,820

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

25. BUSINESS COMBINATIONS

	ADK $	CBP $
	Fair value	**Fair value**
The assets and liabilities recognised as a result of the acquisition are as follows:-		
Cash and cash equivalents	3,459	174
Trade and other receivables	64,860	-
Exploration and evaluation expenditure	-	428,885
Property, plant and equipment		
– Building and equipment	229,985	-
– Mine development costs	1,869,915	-
Current tax liabilities	(22,924)	-
	2,145,295	429,059
Less non-controlling interest	(1,051,195)	(210,239)
Net assets acquired	**1,094,100**	**218,820**

Revenue and profit contribution

The acquired entity ADK contributed revenues of $1,389,840 and net profit of $22,182 to the Group for the period from 1 July 2013 to 7 May 2014.

The acquired entity CBP is a greenfields exploration tenement and with no revenue earned and a net loss of $106,606 for the period 1 July to 13 May 2014.

(ii) Purchase consideration

	ADK	CBP
Cash consideration	-	
Less: cash acquired	(3,459)	(174)
Outflow of cash – investing activities	(3,459)	(174)

(b) Acquisition of additional interest in PT Orpheus Energy

In the previous financial year, the company acquired the remaining 50% of the issued shares of PT Orpheus Energy ("PTO") for a purchase consideration of $481,325. The group now holds 100% of the equity of PTO. The carrying amount of the non-controlling interests in PTO on the date of acquisition was $207,124. The group de-recognised non-controlling interests of $237,715 at 31 December 2012 and recorded a decrease in equity attributable to owners of the parent of $243,610.

The effect of changes in the ownership interest of PTO on the equity attributable to owners of the company during the year is summarised as follows:

	2013 $
Carrying amount of non-controlling interests acquired	237,715
Consideration paid to non-controlling interests	(481,325)
Excess of consideration paid recognised in parent's equity	(243,610)

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

26. DISCONTINUED OPERATIONS

Disposal of PT Alam Duta Kalimantan and PT Citra Bara Prima

On 1 July 2014, the Group announced its decision to dispose of its 51% equity interests in PT Alam Duta Kalimantan ("ADK") and PT Citra Bara Prima ("CBP") for a consideration of USD$3 million and USD$2 million respectively subject to shareholder approval. Shareholder approval was granted on 14 August 2014. Accordingly, the disposal of these entities was completed and took effect from 7 May 2014 (ADK) and 13 May 2014 (CBP) under the terms of the signed Share Sale and Purchase Agreement. These entities are reported in these financial statements as discontinued operations.

Disposal of PT Andhika Realtor and PT Berkah Bhumi Abadi

In the previous financial year, the Group announced its decision to dispose of the equity in 51% owned subsidiaries PT Andhika Realtor ("PAR") and PT Berkah Bhumi Abadi ("BBA"). These entities sold on 30 June 2013 and are disclosed in these financial statements as discontinued operations.

(a) Financial performance and cash flow information

	2014 $	2013 $
Revenue	1,389,840	381,570
Expenses	(1,997,656)	(352,036)
(Loss)/Profit before income tax	(607,817)	29,534
Income tax expense	(5,937)	-
(Loss)/Profit after income tax of discontinued operations	**(613,753)**	**29,534**
Other comprehensive income		
Exchange differences on translating foreign controlled entities	(38,707)	-
Total comprehensive income of discontinued operations	**(652,460)**	**-**
Gain on sale of the discontinued operations	3,176,835	437,951
Income tax expense	(219,612)	-
Gain on sale of the discontinued operations after tax	**2,957,223**	**437,951**
Profit from discontinued operations	**2,304,763**	**467,485**
The net cash flows of the discontinued operations, which have been incorporated into the statement of cash flows are as follows:		
Net cash (outflow) from operating activities	(34,468)	(37,718)
Net cash (outflow) from investing activities	-	36,523
Net cash (outflow) from financing activities	33,946	-
Net decrease in cash used in discontinued operations	**(522)**	**(1,195)**

(b) Details of the sale of the discontinued operations

	2014	2013
Consideration received or receivable	4,157,001	2,000,000
Carrying amount of net assets sold	(980,166)	(1,562,049)
Gain on sale before income tax	**3,176,835**	**437,951**
Income tax expense	(219,612)	-
Gain on sale after income tax	**2,957,223**	**437,951**

Gain on disposal of these entities is included in gain from discontinued operations per the statement of comprehensive income.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

26. DISCONTINUED OPERATIONS

	2014 $	2013 $
(c) A summary of assets and liabilities disposed is presented below:		
Cash and cash equivalents	3,112	12,845
Trade and other receivables	162,838	93,794
Goodwill	-	135,837
Property, plant and equipment	1,508,870	-
Exploration and evaluation expenditure	428,885	3,271,176
Trade and other payables	(181,810)	(638,440)
Non-controlling interests	(941,729)	(1,313,163)
Net identifiable assets	980,166	1,562,049

27. CONTROLLED ENTITIES

The following are subsidiaries of the group, are controlled entities and have been consolidated at 30 June 2014.

(a) Controlled entities consolidated

		Equity interest*	
Entity Name	Country of incorporation	2014	2013
Orpheus Energy Group Pty Ltd	Australia	100%	100%
Orpheus Energy (Ashford) Pty Ltd as trustee for	Australia	100%	100%
Ashford Unit Trust	Australia	100%	100%
Orpheus Energy (Hodgson Vale) Pty Ltd as trustee for Hodgson Vale Unit Trust	Australia	100%	100%
Orpheus Energy (Wingen) Pty Ltd as trustee for Wingen Unit Trust	Australia	100%	100%
Orpheus Energy (Hong Kong) Limited (i)	Hong Kong	50%	50%
PT Orpheus Energy	Indonesia	100%	100%
Orpheus Energy (China) Co Limited (i), (ii)	China	100%	100%
Orpheus Energy Singapore Pte Limited (iii)	Singapore	100%	-
Bushveld Exploration (SA) (Pty) Ltd (i)	South Africa	100%	100%

** Percentage of voting power is in proportion to ownership*
(i) Controlled entities are not consolidated because the total assets of these companies as of 30 June 2014 and 30 June 2013 are not material
(ii) This entity was incorporated in 13 January 2013
(iii) This entity was incorporated in 22 August 2013

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

28. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel compensation

	2014 $	2013 $
Short-term employee benefits	826,626	802,439
Post-employment benefits	63,549	61,027
Share-based payments	120,896	-
	1,011,071	863,466

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Equity instrument disclosures relating to Key Management Personnel compensation

Details of Key Management Personnel option and share holdings are disclosed in the Remuneration Report.

(c) Other KMP transactions

Directors extended short term loans to the Company of $200,000 on 28 November 2013 repayable within six months of the drawdown of the loans. Interest was payable at the rate charged by Westpac Banking Corporation on business overdrafts exceeding $100,000 less 0.5%.

On 23 June 2014 further loans were provided by Directors and the existing loans rolled over into the new loan. Total loans outstanding at 30 June 2014 was $459,095.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2013

29. PARENT ENTITY INFORMATION

(a) Summary financial information

	Parent entity 2014 $	Parent entity 2013 $
Statement of profit or loss and other comprehensive income		
Loss for the year	(4,431,811)	1,359,543
Other comprehensive income	-	-
Total comprehensive loss for the year	(4,431,811)	1,359,543
Statement of financial position of the parent entity at year end		
Current assets	42,714	164,858
Non-current assets	14,650,571	17,957,165
Total assets	**14,693,285**	**18,122,023**
Current liabilities	565,537	71,480
Non-current liabilities	1,033,053	648,234
Total liabilities	**1,598,590**	**719,714**
Issued capital	30,695,699	30,695,699
Share-based payments reserve	850,698	726,500
Accumulated losses	(18,451,702)	(14,019,890)
Total equity	**13,094,695**	**17,402,309**

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees at the 30 June 2014 and 30 June 2013.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 and 30 June 2013.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at the 30 June 2014, the parent entity has made no contractual commitments for the acquisition of plant or equipment.

31. CORPORATE INFORMATION

Registered office and principal places of business

Level 12 179 Elizabeth Street Sydney NSW 2000 Australia	Menara Anugrah Lt. 27 Kantor Taman E.3.3. Lot 8-6-8.7 Kawasan Mega Kuningan Jakarta 12950 Indonesia
T +61 2 8281 8200 F +61 2 9264 9530	T +62 21 579 48860 T +62 21 579 48861

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 10 September 2014.

(a) Distribution of equity securities

150,256,271 fully paid ordinary shares are held by 862 individual shareholders.
All issued ordinary shares carry one vote per share and carry the rights to dividends.

The numbers of shareholders, by size of holding, in each class are:

Holdings Ranges	Holders	Total Units	%
1-1,000	62	16,793	0.011
1,001-5,000	19	61,588	0.041
5,001-10,000	122	1,053,815	0.701
10,001-100,000	512	16,171,404	10.783
100,001-99,999,999,999	147	132,952,671	88.484
Totals	**862**	**150,256,271**	**100.000**
Holding less than a marketable parcel	389		

(b) Substantial shareholders

Name	Number	Percentage
DAVID EDWARD SMITH	22,500,015	14.974
COALWORKS LIMITED	15,606,026	10.386
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	9,856,487	6.560

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully Paid Number	Percentage
MR DAVID EDWARD SMITH	22,500,015	14.974
COALWORKS LIMITED	15,606,026	10.386
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	9,856,487	6.560
MR WAYNE DOUGLAS MITCHELL	5,424,157	3.610
MS SALEE CHUTINTON	5,000,000	3.328
HAWTHORN GROVE INVESTMENTS PTY LTD	4,246,018	2.826
RODBY HOLDINGS PTY LIMITED <SIN PYNG TENG SUPER FUND A/C>	3,400,525	2.263
ISMENE PTY LTD	3,284,950	2.186
MR TREVOR JAMES PORTER	2,935,705	1.954
AUSTRALIAN FEATHER MILLS PTY LTD	2,600,000	1.730
NORMAN INVESTMENT PARTNERS PTY LTD <THE NORMAN INVESTMENT A/C>	2,539,286	1.690
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,517,876	1.676
MR PAUL DANA FILLION	2,500,000	1.664
MS SALEE CHUTINTON	2,500,000	1.664
GARF PTY LIMITED <GAR NATIONAL PRIVATE S/F A/C>	2,059,006	1.370
BESTVALE RESOURCE CONSULTANTS PTY LTD	2,005,104	1.334
SEPT ROUGES LIMITED	1,750,000	1.165
MR WESLEY HARDER	1,701,243	1.132
B ARTHUR PTY LTD <BARRY ARTHUR SUPER FUND A/C>	1,547,784	1.030
MR GAK SAN SEAH	1,536,677	1.023
	95,510,859	63.565
Total IC	**150,256,271**	

ASX Additional Information

UNQUOTED SECURITIES	Number of Holders	Number of Securities on Issue	Holders Holding more than 20% of each class	Number Held
Options Exercisable at 20 cents on or before 30 September 2014	8	12,750,000	N/A	N/A
Options Exercisable at 20 cents on or before 30 September 2014	7	1,175,000	N/A	N/A
Options Exercisable at 25 cents on or before 30 June 2017	5	10,089,458	Mr Wayne Douglas Mitchell Mr David Edward Smith	4,854,910 2,513,512

OTHER INFORMATION

There is no current on-market buyback of the Company's securities.