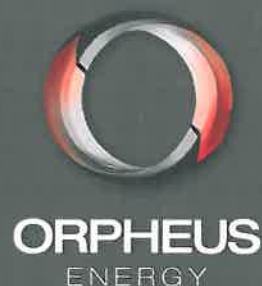


Quarterly Report

**Activities Report for the Quarter ended
30 September 2014**



Sale of Indonesian Mining and Exploration Assets

At a General Meeting held on 14 August 2014, Orpheus ("OEG" or the "Company") shareholders approved, by ordinary resolution, the sale to Mr Nugroho Suksmanto, PT Mega Coal and related parties, of the Company's Indonesian assets for total proceeds of approximately US\$8.2 million.

As flagged in the June Quarterly Report, there have been further delays in the receipt of milestone payments from Mr Suksmanto, with a total of only US\$965,853 so far being received by Orpheus, with US\$615,843 in the September quarter.

As also announced in the June Quarterly Report, the Orpheus Board has extracted a personal legal undertaking from Mr Suksmanto whereby Mr Suksmanto personally commits to settle all outstanding debts by PT Mega Coal and related parties, and to indemnify Orpheus and related parties against cost, loss or liability, suffered by Orpheus or related parties in the case of a breach of the project sales agreements.

The Orpheus Board is in the process of initiating action to expedite the recovery of outstanding monies owed by Mr Suksmanto and will keep shareholders updated.

Alternative Asset Acquisition

The sale of the non-performing coal assets allows the Company to progress an alternative asset acquisition strategy that the Directors believe will add value to shareholders and grow the Company. As announced previously, multiple new potential projects are being investigated by the Board.

One of these projects is a potentially industry changing gold processing technology. Orpheus has significantly progressed its due diligence and negotiations, which commenced a number of months ago, on this technology. Orpheus anticipates being in a position in the very near term to announce details to shareholders.

To the extent ASX Listing Rule 11 applies to the acquisition of any alternative asset, the approval of OEG shareholders may be required prior to completion.

Disclaimer – Forward looking statements

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

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ORPHEUS ENERGY LIMITED

ABN

67 121 257 412

Quarter ended ("current quarter")

SEPTEMBER 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) administration	(394)	(394)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	- GST refund	8	8
	- Other	14	14
Net Operating Cash Flows +		(371)	(371)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments *	702	702
	(c)other fixed assets		
1.10	Loans/advances to other entities	-	-
1.11	Loans repaid by other entities including working capital advances	-	-
1.12	Other (provide details if material)	-	-
	Deposits applied for purchase of equity investments	-	-
	Deposits paid re mining operations	-	-
Net investing cash flows		702	702
1.13	Total operating and investing cash flows (carried forward)	331	331

* Proceeds from sale of equity in subsidiaries

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	331	331
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. Net of brokerage	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	120	120
1.17	Repayment of borrowings	(50)	(50)
1.18	Dividends paid	-	-
1.19	Other -	-	-
	Net financing cash flows	70	70
	Net increase (decrease) in cash held	401	401
1.20	Cash at beginning of quarter/year to date	410	410
	Cash acquired on acquisition of subsidiaries	-	-
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	811	811

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.2 Aggregate amount of payments to the parties included in item 1.2	-
1.2 Aggregate amount of loans to the parties included in item 1.10	-

1.2 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities (to finance working capital) *	1,227	758
3.2 Credit standby arrangements	NIL	NIL

* Includes Directors' loans of \$540K which are to be converted to equity with the approval of shareholders at the 2014 AGM.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	599
Total	599

Note Funds from signed agreements for sale of assets approved by shareholder at the EGM on 14 August 2014, yet to be received - \$7.7 million.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	811	811
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	811	811

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference ⁺securities <i>(description)</i>				
7.2 Changes during quarter				
(a) Increases through issues	-			
(b) Decreases through returns of capital, buy-backs, redemptions	-			
7.3 ⁺Ordinary securities	150,256,271	150,256,271		Fully Paid
7.4 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs				
7.5 ⁺Convertible debt securities <i>(description)</i>	-			
7.6 Changes during quarter				
(a) Increases through issues	-			
(b) Decreases through securities matured, converted	-			
7.7 Options <i>(description and conversion factor)</i>				
	Options	Quoted	Exercise price	Expiry date
Unquoted	10,189,458	-	\$0.0607	30/6/2017
Total Options	10,189,458	-	-	-
7.8 Issued during quarter	Options	Quoted	Exercise price	Expiry date
	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	Options	Quoted	Exercise price	Expiry date
Unquoted	13,925,000	-	\$0.20	30/09/2014
Unquoted	1,000,000	-	\$0.25	04/08/2014
	-	-	-	-
Total Options	10,189,458	-	-	-
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 30 October 2014

Print name:

(Company Secretary)
David Smith

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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