

Quarterly Report

Activities Report for the Quarter ended
31 December 2014



ORPHEUS
ENERGY

Partially Underwritten Non-Renounceable Rights Issue

On 21 November 2014, Orpheus (“OEG” or “the Company”) announced a partially underwritten, non-renounceable, 1 for 3 rights issue to raise approximately A\$1,120,000. Under the Rights Issue Prospectus, OEG Directors committed to taking up their full Entitlement under the Offer and also agreed to partially underwrite the Offer up to a further \$181,871, or approximately 9,093,548 New Shares. This equals a maximum take-up by Directors of 25,000,000 New Shares, raising A\$500,000.

A Supplementary Prospectus extending the issue closing date to 12 February 2015 was subsequently announced to the market on 16 December 2014.

The capital raised from the Rights Offer will be directed towards extinguishing an Orpheus debt relating to its coal business, working capital (which includes funds required to recover ~US\$7,234,147 owed to Orpheus by Mr Nugroho Suksmanto and PT Mega Coal) and to pay the costs of the Rights Offer.

Recovery process update on outstanding debts to Orpheus

As announced on 16 December 2014, under Indonesian legal practice, three notices must be sent prior to the commencement of any formal legal proceedings. All three Notices had been sent by 9 December 2014.

In each of these notices, Orpheus clearly indicated that unless the Debt is paid, Orpheus will commence legal proceedings in Indonesia against Mr Suksmanto and/or the Mega Coal Group (both civil and criminal), including but not limited to filing: (i) a petition for declaration of bankruptcy; (ii) a notice of arbitration and/or; (iii) a police report, in accordance with the prevailing laws and regulations.

As no outstanding funds have been paid by Mr Suksmanto and/or the Mega Coal Group, Orpheus will shortly file a formal petition of bankruptcy against Mr Suksmanto.

Alternative asset acquisition strategy

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.

On 31 October 2014, Orpheus announced that one of the projects being investigated by the Board was a potentially industry changing gold processing technology and that it had

significantly progressed its due diligence and negotiations, which commenced a number of months ago, on this technology.

Subsequently, on 16 December 2014, Orpheus announced that following further negotiation and completion of its due diligence it had formed a view that the Project is not in the best interest of either Orpheus or its Shareholders and it had formally terminated discussions in respect to the Project.

Orpheus has, however, commenced discussions on a range of other opportunities, including in the resources sector.

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")

DECEMBER 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6months) \$A'000
Cash flows related to operating activities		
1.1 Receipts/(credits) from product sales and related debtors	(356)	(356)
1.2 Payments for		
(a) exploration and evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(179)	(574)
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)	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
- GST refund	9	18
- Other	4	18
Net Operating Cash Flows +	(522)	(894)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(1)	(1)
1.9 Proceeds/(refunds) from sale of:		
(a)prospects	-	-
(b)equity investments *	(399)	303
(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	(21)	(21)
Net investing cash flows	(421)	281
1.13 Total operating and investing cash flows (carried forward)	(943)	(613)

* 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)	(943)	(613)
	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	178	298
1.17	Repayment of borrowings	-	(50)
1.18	Dividends paid	-	-
1.19	Other -	-	-
	Net financing cash flows	178	248
	Net increase (decrease) in cash held	(765)	(365)
1.20	Cash at beginning of quarter/year to date	810	410
	Cash acquired on acquisition of subsidiaries	-	-
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	45	45

Note Funds from signed agreements for sale of assets approved by shareholder at the EGM on 14 August 2014, yet to be received - \$9.5 million.

A partially underwritten non-renounceable rights offer of one for three ordinary shares was made to shareholders on 24 November 2014 at \$0.02 cents per share closing on 19 December 2014 and which has subsequently extended to 12 February 2015. If fully taken up the rights issue will raise \$1.2 million. The rights offer is partially underwritten by Directors to the extent of \$181,871 and the Directors have also committed to take up their entitlement of \$318,129.

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

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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

Directors' loans to the Company plus interest totalling \$540,000 were converted to equity on 7 November 2014 following shareholder approval
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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

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+ See chapter 19 for defined terms.

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) *	1,136	1,136
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	389
Total	389

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	45	45
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	45	45

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	EPC1145	Hodgson Vale Qld	100%	-
6.2	Interests in mining tenements acquired or increased	-			

+ See chapter 19 for defined terms.

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	168,256,271	168,256,271		<i>Fully Paid</i>
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	18,000,000 -	18,000,000		<i>Fully Paid</i>
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
Total Options	-	-	-	-
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 January 2015

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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