

Quarterly Report

**Activities Report for the Quarter ended
31 December 2015**



ORPHEUS
ENERGY

Reverse take-over update

Orpheus is rapidly progressing its strategy of a reverse take-over (RTO) of a profitable software services company.

Since the last Quarterly Activities update, the software services company has now completed the update of its audit process and other accounting related procedures for moving to the ASX. A formal due diligence process, required for the RTO documentation and approvals, attended by Australian and Indian lawyers, auditors and accountants acting for both Orpheus and the software services company is underway.

In the very near term, Orpheus expects to be in a position to announce the binding Share Purchase Agreement which will be subject to final due diligence, Board approval and any regulatory approvals, has been executed. Full details of the proposed transaction will then be shared with all Orpheus shareholders in an ASX announcement.

As the nature of Orpheus's business will change if the RTO is carried out, Orpheus has received confirmation from the ASX that it must seek shareholder approval under Listing Rule 11.1.2 for the proposed change to the nature of its activities and re-comply with Chapters 1 and 2 of the Listing Rules.

~AUD\$7.6M Debt Recovery Update

As previously updated in the September 2015 Quarterly Activities Report, Orpheus had agreed to a Settlement Agreement with Nugroho Suksmanto, whereby Suksmanto was required to make a payment in the amount of 20.8 billion Rupiah (~AUD\$2.08M) by 31 August 2015, as part of the overall 70 billion Rupiah (~AUD\$7.6M owing to Orpheus). As the post-dated cheques were not able to be honoured, Suksmanto was in breach of the Settlement Agreement.

As part of the Settlement Agreement, Orpheus has additional security from Suksmanto's family in the form of a pledge agreement over 1,073 shares (equivalent to 7%) owned by Noegroho Pranoto in Indonesian property development company, PT Abadi Guna Papan ("AGP") and a pledge agreement over 578 shares (equivalent to 3.5%) owned by Yohana Kurniastuti in AGP ("**Shares Pledge Agreements**"). Among numerous developments, AGP owns the 28-storey office building where Orpheus's Jakarta office is located in the Mega Kuningan CBD area.

Suksmanto is still to pay any of the outstanding funds owed to Orpheus. According to the Settlement Agreement, as at 31 December 2015, IDR 34.4 billion Rupiah, plus interest of IDR 2.5 billion Rupiah (total 36.9 billion Rupiah or ~AUD\$4M) remains due.

Given Suksmanto's continuing breach of the Settlement Agreement, Orpheus, as the pledgee under the Shares Pledge Agreements is entitled to sell the pledged shares, on behalf of the pledgors based on powers of attorney to sell shares and consents to transfer issued by the pledgors, to recover the outstanding funds owed to Orpheus. Over the last three months, Orpheus has directly, and through its lawyers, been conducting discussions with numerous potential acquirers of the AGP shares.

Additionally, Suksmanto has advised that he has been negotiating to sell one of his other properties for many months (separate to the properties owned by AGP), and if this sale eventuates, Orpheus will be paid a large portion of the outstanding amount owed.

Notwithstanding this activity, Orpheus appointed a criminal lawyer in Jakarta in late 2015, to take the appropriate next action against Suksmanto, due to his ongoing failure to fulfil his legal commitments. Accordingly, the required warning letters have been sent to Suksmanto, and as no funds have been forthcoming, Orpheus has instructed its lawyers to lodge a formal Police Report.

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 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts/(credits) from product sales and related debtors	11	14
1.2	Payments for		
	(a) exploration and evaluation		
	(b) development		
	(c) production		
	(d) administration	(63)	(191)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1	5
1.5	Interest and other costs of finance paid	(5)	(5)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	- GST refund		
	- Other		
Net Operating Cash Flows +		(56)	(177)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds/(refunds) from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	5
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 recouped	-	74
	Deposits paid re mining operations	-	-
Net investing cash flows		0	79
1.13	Total operating and investing cash flows (carried forward)	(56)	(98)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

		Current quarter \$A'000	Year to date (3 months) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(56)	(98)
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	10	102
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Loans to related party	-	-
	Net financing cash flows	10	102
	Net increase (decrease) in cash held	(46)	4
1.20	Cash at beginning of quarter/year to date	56	6
	Cash acquired on acquisition of subsidiaries	-	-
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	10	10

Note Funds from signed agreements for sale of assets to Nugroho Suksmanto approved by shareholders at the EGM on 14 August 2014, yet to be received - ~\$7.6million. Orpheus subsequently executed a settlement agreement with Nugroho Suksmanto with payments in monthly instalments commencing with approx \$2.08 million to be paid by 31 August 2015.

As part of the settlement agreement Orpheus has been provided with additional security in the form of a pledge over shares in a real estate company in which Nugroho Suksmanto has a controlling interest.

Suksmanto is still to pay any of the outstanding funds owed to Orpheus. According to the Settlement Agreement, an amount of IDR 34.4 billion Rupiah, plus interest of IDR 2.5 billion Rupiah (total 36.9 billion Rupiah or ~AUD\$4M) remains outstanding as at 31 December 2015.

Given Suksmanto's continuing breach of the Settlement Agreement, Orpheus, as the pledgee under the Shares Pledge Agreements is entitled to sell the pledged shares, on behalf of the pledgors based on powers of attorney to sell shares and consents to transfer issued by the pledgors, to recover the outstanding funds owed to Orpheus. Over the last three months, Orpheus has directly, and through its lawyers, been conducting discussions with numerous potential acquirers of the AGP shares.

Additionally, Suksmanto has advised that he has been negotiating to sell one of his other properties for many months (separate to the properties owned by AGP), and if this sale eventuates, Orpheus will be paid a large portion of the outstanding amount owed.

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

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

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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

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)	619	619
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	14
Total	14

**In the second quarter Directors extended loans of \$10,000 to provide working capital. In the event that the debt owing to the Company is not paid in the next quarter the Directors will contribute further loans funds to meet working capital requirements.*

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	10	56
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	10	56

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	183,476,469	183,476,469		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	-	-	-	-
Total Options	-	-	-	-
7.8 Issued during quarter	Options	Quoted	Exercise price	Expiry date
	-	-	-	-
	-	-	-	-
7.9 Exercised during quarter	-			
7.10 Cancelled 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:



(Company Secretary)

Date: 29 January 2015

Print name:

David Smith

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity 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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