



ORPHEUS
ENERGY

Orpheus Energy Limited

And Controlled Entities

ABN 67 121 257 412

**HALF-YEAR REPORT
AND
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

Contents

	Page
Directors' Report	2
Auditor's Independence Declaration	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Financial Statements	11
Directors' Declaration	15
Independent Auditor's Review Report	16

Directors' Report

The directors present their report with the consolidated financial report of Orpheus Energy Limited ("the Company") for the half year ended 31 December 2015 and the auditor's review report thereon.

Directors

The names of the Directors who held office during or since the end of the half year are:

Mr Wayne Mitchell, Executive Chairman and Managing Director
Mr David Smith, Executive Director
Mr Wesley Harder, Director and Exploration Manager
Mr Mike Rhodes, Non-Executive Director

Mr David Smith, Company Secretary

Review of Operating Activities

- Recovering outstanding money owed to Orpheus by Mr Nugroho Suksmanto and PT Mega Coal
- Recapitalising Orpheus through the recovery of an outstanding debt to Orpheus of ~\$7 million
- Progressing the proposed acquisition of a profitable software services company
- Continuing the company's aggressive cost reduction program

Operating Results

The net loss of the consolidated entity for the half year was \$109,125 (2014: corresponding period a loss of \$9,784,156).

Update on recovery of outstanding debts to Orpheus

As announced on Thursday 30 July 2015, Orpheus executed a Settlement Agreement with Nugroho Suksmanto which allowed for a revised total amount of 70 billion Rupiah (~AUD\$7M) to be paid in monthly instalments, all covered by Post-dated cheques.

As part of the settlement agreement, Orpheus negotiated for and was subsequently provided with additional security from Suksmanto's family; in the form of a share pledge equal to 10.5% of the equity in an Indonesian property development company, PT Abadi Guna Papan ("**AGP**"). Among numerous developments, AGP owns the 28-storey office building where Orpheus's Jakarta office is located in the Mega Kuningan CBD area.

An independent valuation report on the AGP property portfolio was completed, valuing the security held by Orpheus far in excess of the amount owed to Orpheus. As a result of the execution of the settlement agreement, Orpheus withdrew the bankruptcy petition in the Central Jakarta Commercial Court. However, the settlement agreement explicitly provided for Orpheus to re-initiate legal action or arrange for the sale of the 10.5% equity in AGP, should Suksmanto default on the repayments.

On 23 September 2015, Orpheus commenced negotiations with various parties to buy the 10.5% equity in AGP, due to Suksmanto's breach of the Settlement Agreement as the post-dated cheques he provided were not able to be honoured.

Directors' Report

Additionally, Orpheus engaged in discussions with a global real estate services firm specializing in commercial property to arrange for the sale of the equity in AGP or the underlying property assets themselves.

Suksmanto has since advised that he has also been negotiating to sell one of his other properties for many months (separate to the properties owned by AGP), and if a 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 steps 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.

Acquisition update

Orpheus has also been focused on progressing its strategy of the acquisition of a profitable software services company.

The software services company has 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 acquisition documentation and approvals, attended by Australian and Indian lawyers, auditors and accountants acting for both Orpheus and the software services company is underway. Post balance date Orpheus announced that it had signed a binding Share Purchase Agreement which will be subject to final due diligence, Board approval and any regulatory approvals.

As the nature of Orpheus's business will change if the acquisition completes, 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.

Full details of the proposed transaction will then be shared with all Orpheus shareholders in an ASX announcement.

Cost Reduction Program

As announced in the Annual Report, and continuing over the last half, Orpheus has implemented its ongoing costs reduction strategy to reduce the Company's monthly administration expenses with measures including:

- As part of the Heads of Agreement, from 3 August 2015, all Orpheus Directors and the CFO agreed to vary their service contracts such that no further remuneration other than minimum statutory remuneration (eg Superannuation) would be payable going forward
- Indonesian staff numbers have been reduced to only two individuals, both of whom will be made redundant once funds are received from Indonesia to pay for the redundancy entitlements.
- Surrendering of the Company's Sydney office lease and relocation into a low cost-effective serviced office arrangement.
- Cessation of all administration costs other than those required to maintain the company's listing (eg ASX listing costs, Share Registry costs, annual audit fees).

Directors' Report

Directors' Loans

To continue providing working capital cover for the company during the period of the Indonesian Assets Sales and acquisition process, and to avoid any shareholder dilution by raising capital, Directors Mitchell and Smith have continued to provide unsecured loans to the company. Consequently, as at 31 December 2015, the total Directors' loans outstanding are \$618,650, including the applicable discounted interest. A further \$20,000 in unsecured loans from Directors Mitchell and Smith have been made post reporting date.


Shares and Options

No shares or options were issued during the reporting period.

Auditor's Independence Declaration

The lead auditor under Section 307C of the *Corporations Act 2001* is set out on page 6 for the half-year ended 31 December 2015.

This directors' report is signed in accordance with a resolution of the Board of Directors.



Wayne Mitchell, Executive Chairman

Date: 4 March 2016

**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**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

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I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2015 there have been no contraventions of:

- a. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- b. any applicable code of professional conduct in relation to the review.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

G Webb

GRAHAM WEBB
Partner
Dated: 4 March 2016

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Orpheus Energy Limited

ABN 67 121 257 412
and controlled entities



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2015

		Consolidated	
		31 Dec 2015	31 Dec 2014
	Note	\$	\$
Revenue			
Other revenue	2	309,028	821,321
Expenses			
Administration expenses		(7,641)	(18,830)
Consultancy and professional fees		(47,787)	(140,890)
Employment and related costs		30,745	(560,799)
Insurance expenses		(12,160)	(18,919)
Legal expenses		(176,452)	(47,823)
Depreciation and amortisation expense		(10,265)	(16,852)
Marketing and promotion expenses		-	(8,063)
Finance costs		(3,795)	(157,887)
Lease rental expenses and occupation costs		(36,102)	(82,030)
Compliance costs		(30,194)	(42,494)
Travel and accommodation costs		(8,460)	(23,924)
Share-based payments		-	(12,413)
Provision for impairment of debtors		(103,859)	(9,461,463)
Loss on disposal of fixed assets		(10,075)	(13,090)
Unrealised foreign exchange losses		(2,108)	-
Loss before income tax		(109,125)	(9,784,156)
Income tax expense		-	-
Loss for the period		(109,125)	(9,784,156)
Loss attributable to:			
- Members of the parent entity		(109,104)	(9,783,928)
- Non-controlling interests		(21)	(228)
		(109,125)	(9,784,156)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign controlled entities		(212,411)	105,906
Total comprehensive income for the period		(321,536)	(9,678,250)
Total comprehensive income for the period attributable to:			
- Members of the parent entity		(321,133)	(9,677,320)
- Non-controlling interests		(403)	(930)
		(321,536)	(9,678,250)
Basic and diluted loss per share (cents)		(0.06)	(6.30)

The accompanying notes form part of these financial statements.

Orpheus Energy Limited

ABN 67 121 257 412
and controlled entities



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	Consolidated	
		31 Dec 2015	30 June 2015
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		10,154	5,610
Trade and other receivables	4	54,928	63,259
TOTAL CURRENT ASSETS		65,082	68,869
NON-CURRENT ASSETS			
Property, plant and equipment		5,327	30,130
Security deposits and bonds		-	74,519
TOTAL NON-CURRENT ASSETS		5,327	104,649
TOTAL ASSETS		70,409	173,518
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,492,342	1,231,461
Current tax liabilities		806,124	789,279
Employee provisions		7,508	172,073
Borrowings	5	618,650	513,384
TOTAL CURRENT LIABILITIES		2,924,624	2,706,197
TOTAL LIABILITIES		2,924,624	2,706,197
NET ASSETS		(2,854,215)	(2,532,679)
EQUITY			
Issued capital	6	31,478,839	31,478,839
Reserves		332,642	544,671
Accumulated losses		(34,659,369)	(34,550,265)
Parent entity interest		(2,847,888)	(2,526,755)
Non-controlling interests		(6,327)	(5,924)
TOTAL EQUITY		(2,854,215)	(2,532,679)

The accompanying notes form part of these financial statements.

Orpheus Energy Limited

ABN 67 121 257 412
and controlled entities



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Ordinary Issued Capital	Accumulated Losses	Options Reserve	Foreign Currency Translation Reserve	Non- controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	30,695,699	(23,942,942)	850,698	124,896	(4,602)	7,723,749
Comprehensive income						
Loss for the period	-	(9,783,928)	-	-	(228)	(9,784,156)
Other comprehensive income for the period	-	-	-	106,608	(702)	105,906
Total comprehensive income for the period	-	(9,783,928)	-	106,608	(930)	(9,678,250)
Transactions with owners in their capacity as owners						
Shares issued on conversion of related party loans	540,000	-	-	-	-	540,000
Options expensed during the period	-	-	12,413	-	-	12,413
Options expired during the period	-	726,500	(726,500)	-	-	-
	540,000	726,500	(714,087)	-	-	552,413
Balance at 31 Dec 2014	31,235,699	(33,000,370)	136,611	231,504	(5,532)	(1,402,088)
Balance at 1 July 2015	31,478,839	(34,550,265)	-	544,671	(5,924)	(2,532,679)
Comprehensive income						
Loss for the period	-	(109,104)	-	-	(21)	(109,125)
Other comprehensive income for the period	-	-	-	(212,029)	(382)	(212,411)
Total comprehensive income for the period	-	(109,104)	-	(212,029)	(403)	(321,536)
Transactions with owners in their capacity as owners						
	-	-	-	-	-	-
Balance at 31 Dec 2015	31,478,839	(34,659,369)	-	332,642	(6,327)	(2,854,215)

The accompanying notes form part of these financial statements.

Orpheus Energy Limited

ABN 67 121 257 412
and controlled entities



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$	\$
Cash flows from operating activities		
Other income received	14,366	24,186
Payments to suppliers and employees	(190,834)	(921,583)
Interest received	476	1,070
Interest paid	(529)	(165)
Net cash (used in) operating activities	(176,520)	(896,492)
Cash flows from investing activities		
Disposal of plant and equipment	4,545	-
Proceeds from sale of subsidiaries	-	302,542
Deposits refunded	74,519	-
Deposits and advances paid	-	(19,847)
Net cash provided by investing activities	79,064	282,695
Cash flows from financing activities		
Proceeds from borrowings	102,000	287,535
Repayment of borrowings	-	(40,035)
Net cash provided by financing activities	102,000	247,500
Net increase/(decrease) in cash and cash equivalents	4,545	(366,297)
Cash and cash equivalents at beginning of period	5,610	409,693
Cash and cash equivalents at end of period	10,154	43,396

The accompanying notes form part of these financial statements.

Notes to the Financial Statements FOR THE HALF YEAR ENDED 31 DECEMBER 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Orpheus Energy Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2015, together with any public announcements made during the following half-year.

These interim statements were authorised for issue on 3 March 2015.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to some of the matters discussed below.

c. Critical Accounting Estimates and Significant Judgments Used in Applying Accounting Policies

The critical estimates and judgments are consistent with those applied and disclosed in the June 2015 annual report.

d. Going Concern Basis

Notwithstanding the loss incurred during the half year amounting to \$109,125; negative cash flows from operating activities amounting to \$176,520 and a deficiency of net assets of \$2,854,215 as at 31 December 2015, the Directors believe that the company is a going concern based on:

- (i) Orpheus has executed a Heads of Agreement for the purposes of an acquisition with a company in the technology sector subject to final due diligence and Board approval. Post balance date a Share Purchase Agreement has been signed with Wavetronics. A capital raising of \$4 million is projected as part of this transaction;
- (ii) The Group is in a transition stage having sold its Indonesian exploration/mining assets for which it is yet to collect \$7 million from the buyer Suksmanto. Whilst Suksmanto has breached a revised settlement agreement, as a result of the steps taken the Directors remain confident of recovery of some or all of the amount owing.
- (iii) In the short term the Directors have agreed to support the Company by way of short term loans.

In the event that the consolidated entity is unable to collect monies owing to it and/or the acquisition does not proceed there is a significant uncertainty whether it will be able to continue as a going concern and therefore whether the Company and the consolidated entity can realise its assets and extinguish its liabilities at the amounts stated in the financial report.

2. REVENUE

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$	\$
Other income		
Interest income	4,017	1,070
Foreign currency translation gains	290,645	796,065
Other income	14,366	24,186
Total Revenue	309,028	821,321

Orpheus Energy Limited

ABN 67 121 257 412
and controlled entities



NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENT REPORTING

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

- Australia
- Indonesia (mining)

Orpheus Energy Singapore Pte Ltd and Orpheus (Hong Kong) Limited have not been included as their operations are not material.

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 Consolidated Entity's revenue and results by reportable operating segment for the periods under review.

	Australia	Indonesia	Consolidated	Australia	Indonesia	Consolidated
	\$	\$	\$	\$	\$	\$
	Half-Year Ended 31 December 2015			Half-Year Ended 31 December 2014		
(a) Segment performance						
Revenue						
Sales revenue	-	-	-	13,636	-	13,636
Inter-segment revenue	-	-	-	-	-	-
Total Revenue	-	-	-	13,636	-	13,636
Segment result	(93,125)	(16,000)	(109,125)	(8,777,464)	(1,006,692)	(9,784,156)
Income tax	-	-	-	-	-	-
Net Loss	(93,125)	(16,000)	(109,125)	(8,777,464)	(1,006,292)	(9,784,156)
Depreciation and amortisation	3,755	6,510	10,265	10,106	6,746	16,852
Impairment of receivables	-	-	-	8,907,030	554,433	9,461,463
Share-based payments	-	-	-	12,413	-	12,413
Unrealised foreign exchange losses	2,108	-	-	-	-	-
Loss on disposal of fixed assets	10,075	-	10,075	-	13,090	13,090
	Australia	Indonesia	Consolidated	Australia	Indonesia	Consolidated
	\$	\$	\$	\$	\$	\$
	Half-Year Ended 31 December 2015			Year ended 30 June 2015		
(b) Segment assets						
Segment assets	21,513,407	9,282	21,522,689	21,467,837	16,065	21,483,902
Intersegment eliminations	(21,452,280)	-	(21,452,280)	(21,310,384)	-	(21,310,384)
Consolidated Total Assets	61,127	9,282	70,409	157,453	16,065	173,518
	Australia	Indonesia	Consolidated	Australia	Indonesia	Consolidated
	\$	\$	\$	\$	\$	\$
	Half-Year Ended 31 December 2015			Year Ended 30 June 2015		
(c) Segment liabilities						
Segment liabilities	19,656,964	4,479,947	24,136,911	19,266,860	4,345,167	23,612,027
Intersegment eliminations	(17,953,082)	(3,259,205)	(21,212,287)	(17,738,561)	(3,167,269)	(20,905,830)
Consolidated Total Liabilities	1,703,882	1,220,742	2,924,624	1,528,299	1,177,898	2,706,197

NOTES TO THE FINANCIAL STATEMENTS

4. TRADE AND OTHER RECEIVABLES

	Note	Consolidated	
		31 Dec 2015	30 June 2015
		\$	\$
Other receivables – owing on sale of subsidiaries	(i)	7,019,994	6,890,068
Other receivables		596,645	579,523
Less provision for impairment of receivables –owing on sale of subsidiaries		(7,019,994)	(6,890,068)
Less provision for impairment of other receivables		(596,345)	(579,523)
Prepayments		3,732	15,904
Director's loan		50,896	47,355
		54,928	63,259

- (i) Receivables owing from the sale of assets to Mr Nugroho Suksmanto of \$7,019,994 have been impaired as the amount is past due and the Company has commenced legal action to recover this debt. A provision of \$596,345 has also been made in respect of amounts owing to the group's Indonesian subsidiary, PT Orpheus Energy.

5. CURRENT LIABILITIES - BORROWINGS

	Note	Consolidated	
		31 Dec 2015	30 June 2015
		\$	\$
Loans from related parties – unsecured	(i)	618,650	513,384
		618,650	513,384

- (i) Short term loans extended to the Company by Directors. Interest is 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%. Interest unpaid and accrued on these loan at 31 December 2015 is \$19,511 – is this interest rate correct, I thought the rate was reduced last year. Also, pls check the outstanding interest amount owing?

6. ISSUED CAPITAL

	Note	Consolidated	
		31 Dec 2015	30 June 2015
		\$	\$
Ordinary shares	(a)	31,478,839	31,478,839

- (a) No shares were issued during the reporting period

7. EVENTS SUBSEQUENT TO REPORTING DATE

On 16 February 2016, Orpheus announced that it had formally entered into a Share Purchase Agreement with the vendors to acquire 100% of the issued share capital of Wavetronic Solutions Private Ltd, in consideration for the issue of shares and options in Orpheus (Acquisition).

The consideration for the acquisition is 217,443,330 shares in Orpheus and 70,000,000 Options in Orpheus.

The acquisition will constitute a backdoor listing of Wavetronic into Orpheus (Backdoor Listing). Consequently, the acquisition is subject to a number of conditions precedent and Completion in accordance with the terms of the Share Purchase Agreement. Conditions precedent include the approval of Orpheus Shareholders at a General Meeting and compliance with a number of regulatory approvals under both Australian and Indian law.

As part of the Backdoor Listing, Orpheus will be undertaking the following corporate activities:

- a share consolidation on a 1 for 10 basis (ie the 183,476,469 shares in Orpheus currently on issue at \$0.01 per share will be consolidated to 18,347,647 shares at \$0.10 per share).
- an offer under a Share Purchase Plan (SPP) contained in a full prospectus (Prospectus) will be offered to all

Orpheus Energy Limited

ABN 67 121 257 412
and controlled entities



eligible Orpheus shareholders to raise \$4.0M at a price of \$0.10 per share. Details of the SPP, which is expected to be fully underwritten, will be provided in the Notice of Meeting and Prospectus for shareholders.

- conversion of 50% of outstanding debt to Orpheus Directors/CFO into Orpheus shares at a price of \$0.10 per share.

Each of the above will require the approval of Orpheus Shareholders at the General Meeting for the Backdoor Listing and are inter-conditional with the resolutions for the Backdoor Listing being approved.

Wavetronics is a company incorporated in India and established in 2004, and operates in developing systems for the healthcare, education, telecommunications, media and entertainment sectors.

For further details on the acquisition refer to the ASX release of 16 February 2016.

8. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

9. RELATED PARTY TRANSACTIONS

During the reporting period Directors of the Company extended short term loans to the Company. Interest is 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%. Interest unpaid and accrued on these loan at 31 December 2015 is \$19,511.

A short term loan has also been extended by Orpheus to a Director at an interest rate of 14.39%. The total amount outstanding at 31 December 2015 including accrued interest was \$50,896.

10. INTEREST IN SUBSIDIARIES

Information about Principal Subsidiaries

Set out below are the Group's subsidiaries at 31 December 2015. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		At 31 Dec 2015	At 30 June 2015	At 31 Dec 2015	At 30 June 2015
Orpheus Energy Group Pty Ltd	Australia	100%	100%	-	-
Orpheus Energy (Ashford) Pty Ltd as trustee for 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%	-	-
PT Orpheus Energy	Indonesia	100%	100%	-	-
Orpheus Energy (China) Co Limited	Australia	100%	100%	-	-
Orpheus Energy Singapore Pte Ltd	Australia	100%	100%	-	-
Orpheus Energy (Hong Kong) Limited	Australia	50%	50%	50%	50%
Bushveld Exploration (SA) (Pty) Ltd	Australia	100%	100%	-	-


Subsidiaries' financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Directors' Declaration

In accordance with a resolution of the directors of Orpheus Energy Limited, the directors of the company declare that:
The financial statements and notes, as set out on pages 7 to 14, are in accordance with the *Corporations Act 2001*, including:

- a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
- b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.

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.



Wayne Mitchell, Executive Chairman

Date: 4 March 2016

**ORPHEUS ENERGY LIMITED
ABN 67 121 257 412
AND CONTROLLED ENTITIES**

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

SYDNEY

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Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Orpheus Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2015, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Orpheus Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Orpheus Energy Limited's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Orpheus Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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independent
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**ORPHEUS ENERGY LIMITED
ABN 67 121 257 412
AND CONTROLLED ENTITIES**

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Orpheus Energy Limited is not in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of Orpheus Energy Limited's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1(d) in the financial report which indicates that the company incurred a loss of \$109,125 and incurred negative cash flows from operating activities of \$176,520 during the half-year ended 31 December 2015 and as of that date, the company's total liabilities exceeded its total assets by \$2,854,215. These conditions, along with other matters as set forth in Note 1(d), 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.

Hall Chadwick

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Graham Webb

GRAHAM WEBB
Partner
Dated: 4 March 2016