

Quarterly Report

**Activities Report for the Quarter ended
30 September 2016**



ORPHEUS
ENERGY

Alternative asset acquisition strategy

In July 2016, Orpheus announced that it had been advised by Wavetronic that there was continuing internal restructuring occurring, resulting in further delays in the proposed reverse takeover (“RTO”) process with Wavetronic/Prognos. Since then, Orpheus has been waiting for formal advice from Wavetronic, as to the completion of its restructuring process.

As previously advised, Orpheus has been receiving approaches regarding other potential RTO opportunities. Discussions and due diligence regarding three such opportunities has progressed, and the Board now awaits proposals from these companies for detailed consideration by the Board, for presentation to shareholders of a preferred option for Orpheus to acquire, in an RTO process.

Debt Recovery Update

Nugroho Suksmanto is still to pay any of the outstanding funds owed to Orpheus and he remains in breach of the Settlement Agreement. As at 30 September 2016, IDR 65 billion Rupiah, plus interest of IDR 5.623 billion Rupiah (total 70.623 billion Rupiah or ~AUD\$7.06M) remains due. Orpheus continues to relentlessly pursue collections via the Indonesian legal system, and via ongoing attempts to sell Suksmanto’s property assets and the pledged shares over his real estate company.

As previously announced, as part of the Agreement, Orpheus was provided with additional security in the form of a pledge over 10.5% of the shares equity in a real estate company, PT Abadi Guna Papan (“AGP”), in which Suksmanto has a controlling interest. Given Suksmanto's continuing breach of the 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.

Orpheus is now in advanced negotiations with a potential acquirer of the shares, and Orpheus will update shareholders if and when a transaction is successfully completed.

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 and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ORPHEUS ENERGY LIMITED

ABN

67 121 257 412

Quarter ended ("current quarter")

September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(78)	(78)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (ATO PAYG/GST refunds)	150	150
1.9 Net cash from / (used in) operating activities	72	72

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4	4
4.2	Net cash from / (used in) operating activities (item 1.9 above)	72	72
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	76	76

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 approx. A\$7.6 million. Orpheus subsequently executed a settlement agreement with Nugroho Suksmanto with payments in monthly instalments commencing August 2015. No payments have been made and Suksmanto is in breach of the settlement agreement.

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.

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

Additionally, Suksmanto continues to confirm that he is in advanced negotiations to sell a number of his other properties (separate to the properties owned by AGP), and if any of these sales eventuate, Orpheus will be paid a large portion of the outstanding amount owed.

As at 30 September 2016, IDR 65 billion Rupiah, plus interest of IDR 5.623 billion Rupiah (total 70.623 billion Rupiah or ~AUD\$7.6M) remains due.

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

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	76	4
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	76	4

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	-
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	656	656
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Existing Unsecured loans Directors loans from David Smith and associate \$258,650, Wayne Mitchell \$330,138 and Wes Harder \$67,000, totalling \$655,788 not including interest accrued at and not paid of \$28,136 at the rate charged by Westpac Banking Corporation on business overdrafts exceeding \$100,000 less 0.5%.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	56
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	56

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 28 October 2016

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.