ORPHEUS
ENERGY

Annual Report 2013

Orpheus Energy Limited
ABN 67 121 257 412

A vertically-integrated Indonesian coal producer

Corporate Information

Orpheus Energy Limited ACN 121 257 412

The shares of Orpheus Energy Limited ('the Company') are quoted on the official list of the Australian Security Exchange.

The ASX code for the Company's ordinary fully paid shares is "**OEG**".

Directors in office at date of report

Mr Wayne Mitchell	Executive Chairman
Mr David Smith	Executive Director
Mr Wesley Harder	Executive Director
Mr Anthony King	Non-executive Director
Mr Michael Rhodes	Non-executive Director

Company Secretary

Mr John Stone

Chief Financial Officer

Mr Barry Neal

Registered office and Principal place of business

Level 12
179 Elizabeth Street
Sydney NSW 2000
Australia

T +61 2 8281 8200
F +61 2 9264 9530
www.orpheusenergy.com.au

Share Register

Boardroom Pty Ltd
Level 7, 207 Kent Street
Sydney, SW 2000

T +61 2 9290 9600
F +61 2 9279 0664
www.boardroomlimited.com.au

Solicitors

HWL Ebsworth
Level 23, Riverside Centre
123 Eagle Street
Brisbane Qld 4001

Auditors

Hall Chadwick
St Martins Tower
Level 29, 31 Market Street
Sydney NSW 2000

Bankers

Commonwealth Bank
48 Martin Place
Sydney NSW 2000

Stock Exchange Listing

Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Contents

Chairman's Letter

It is my pleasure to present the Company's third annual report for the year ended 30 June 2013.

Our business vision is to become an Asia-focussed, profitable, vertically integrated coal producer through exploration, production, coal trading and infrastructure. Over the year, our growth in mine production and coal trading played a critical role in adapting to the changing market conditions, in particular, the substantial drop in the coal price and difficulty in securing coal loading slots. Through recently securing significant infrastructure capacity, Orpheus now has a diverse revenue stream as a fully vertically integrated company and is well placed for future growth.

Indonesian activities

South Kalimantan: Sales for the year totalled 137,000 tonnes, whilst below our expectations due to competition for slot allocations, revenue of AUD$4.25 million was achieved with all coal sold FOB barge.

We acquired our second production licence concession, Citra Bara Prima ("CBP"), in September 2012. Some preliminary exploration has been carried out, but temporarily halted as we need to realign the boundaries to maximise the coal resource. This was delayed last year due to costs, but we are confident of advancing our activities in 2014.

Outside the fiscal year, in September 2013, Orpheus secured through its infrastructure deal with the SKJM Port, on an exclusive basis, loading slots that provide us exclusivity in excess of 200,000 tonnes per month. Through our existing trading and production operations, we have the coal to support our port loading locations, so are now in the position to implement a sales program in line with our working capital availability.

Our focus for 2013 and ongoing is working to becoming cash flow positive so resources were allocated accordingly. However, we maintain an ongoing process in order to identify suitable additional projects in the region to increase our coal bank, but with a conservative approach to funding.

East Kalimantan: We sold two blocks in the year, B2 and B6 for $2 million as the Board continues its strategy of focusing its resources on developing our mining activities in South Kalimantan.

Orpheus still holds 51% equity in blocks 3 and 4, and we continue to review our options to maximise shareholder value.

Papua: We have four greenfield exploration concessions over an area of 125,000 Ha. Whilst initial exploration work has been limited, a number of coal outcrops have been found providing the Board with a substantial confidence that the area has long term potential.

Whilst our resources are currently allocated to revenue producing assets, our exploration plans at Papua remain ongoing but they are not considered a priority at this stage.

Infrastructure Development

Our experience, coupled with an acute awareness of market conditions, has led us to a strategy of controlling our operations from mine mouth to end buyer. In an effort to permanently secure port loading slots and add another revenue stream to our business, Orpheus secured significant infrastructure capacity through a 3 million tonnes per annum port facility. As part of the agreement, Orpheus has an exclusive right to use two and a half loading slots at the SKJM port in Kintap, South Kalimantan, for a period of 10 years, at a fixed rate. No penalty clauses apply and the port has a monthly capacity in excess of 200,000 tonnes.

Orpheus remains active in identifying additional opportunities to strengthen our infrastructure capacity.

Coal markets and focus

Despite recent challenges in the market, coal remains the fastest growing fuel outside renewable energy, with production growing by 2% in 2012, yet this is still significantly lower than the 10 year average of 4.8%. The Asia-Pacific region accounts for all of this net increase, with China and Indonesia's coal production growth at 3.5% and 9% respectively.

China's strong appetite for thermal coal is expected to lead to a doubling of demand by 2030 with imports reaching 289 million tonnes in 2012, and this number is expected to grow further.

India's thermal coal imports rose 29% to a record 135 million tonnes in 2012/13, and this number is also set to grow further this year. Ultimately, India could overtake China as the world's largest importing country.

In 2011, Indonesia replaced Australia as the world's largest coal exporter on a tonnage basis and since the turn of the 21st century, Indonesian coal exports have increased on average 18.4% year on year. This is due to Indonesia's abundant reserves with low overburden to coal ratio, the strategic location of deposits and proximity to large Asian importing countries. Additionally, Indonesian domestic coal demand has grown significantly and is expected to grow from 57.3 million tonnes in 2012 to 125.7 million tonnes by 2022. This growth provides local sales opportunities and we already have an expanding market with local domestic users.

Other exciting regional markets in Asia include Thailand, Malaysia, Vietnam, Sri Lanka and Philippines, with a combined estimated import for 2014 of 50 million tonnes. We are continuing to focus to these smaller markets where opportunities are substantial.

Australian assets

As our focus is Indonesia, the Board has not committed any significant funding to these assets. We will continue to review opportunities to either JV or sell these assets outright.

Outlook

In the short term, our target is to fully recover operating overheads, and through the company's growing production, trading and now infrastructure divisions, we are progressing towards our goal of becoming cash flow positive. We strongly believe that the unfavourable market conditions are behind us, and the company is excited to advance our existing operations with the added potential of identifying additional opportunities through the year.

Infrastructure will play an important role in the company's growth, importantly adding another revenue stream for the company and completing our objective of being a vertically integrated producer. This diversification is a critical point of difference, whilst we remain active in our exploration at Papua and our coal trading division continues to add significant value to the business.

Over the medium term, our goal remains to grow our coal sales to a consistent rate of over 2 million tonnes per annum, and from this point, aim to expand sales further. Following this increase in production, we have always targeted the introduction of a dividend.

Orpheus is well placed for continued growth in the 2014 year and we look forward to updating shareholders on our progress.

I want to thank my board and colleagues, together with our Indonesian team, for their hard work and diligent contributions to the company's development over the last twelve months.

I would also like to thank our shareholders for their continued support in what has been a year of significant progress in very challenging markets. Orpheus is in excellent shape and the Board has sound reasons for continued optimism.

Yours sincerely,

Wayne Mitchell
Executive Chairman

Summary of Activities

South Kalimantan

Production

In the 2013 financial year, Orpheus achieved an increase in coal sales of nearly 310% over the previous year, with sales of 137,054 tonnes for total revenues of AUD$4.25 million. The coal was shipped to a variety of buyers, including domestic utilities and Indonesian trading groups, from the company's South Kalimantan operations.

Period (quarter)	Tonnes
September 2012	–
December 2012	44,025
March 2013	20,104
June 2013	72,955
TOTAL	**137,084**

Coal sales and mining activities were hampered by unseasonal heavy rain and major flooding for a number of months in July – September 2012, and January to March 2013. Additionally, competition for barge-loading slots in South Kalimantan has been very aggressive over the course of 2013, as both producers and traders have raced to move their inventories and outbid each other to secure loading slots.

↓ Kintap ADK project – mining while dewatering

↑ SKJM Port - Coal crusher

As a result, Orpheus held many unfilled off take contracts amounting to nearly 200,000 tonnes over the period. Fortunately, management was able to negotiate with Orpheus' customers that no demurrage charges for late shipments were payable. Additionally, mining at the Kintap ADK project was kept to a minimum, with no holding stock at year end.

Coal prices have been fairly steady over the 2013 financial year period, and margins have remained tight. Orpheus continued to focus on cost control in its operations to increase the return on the coal sales, and this outcome will be enhanced as the company secures increased barge loading slot capability over the coming months.

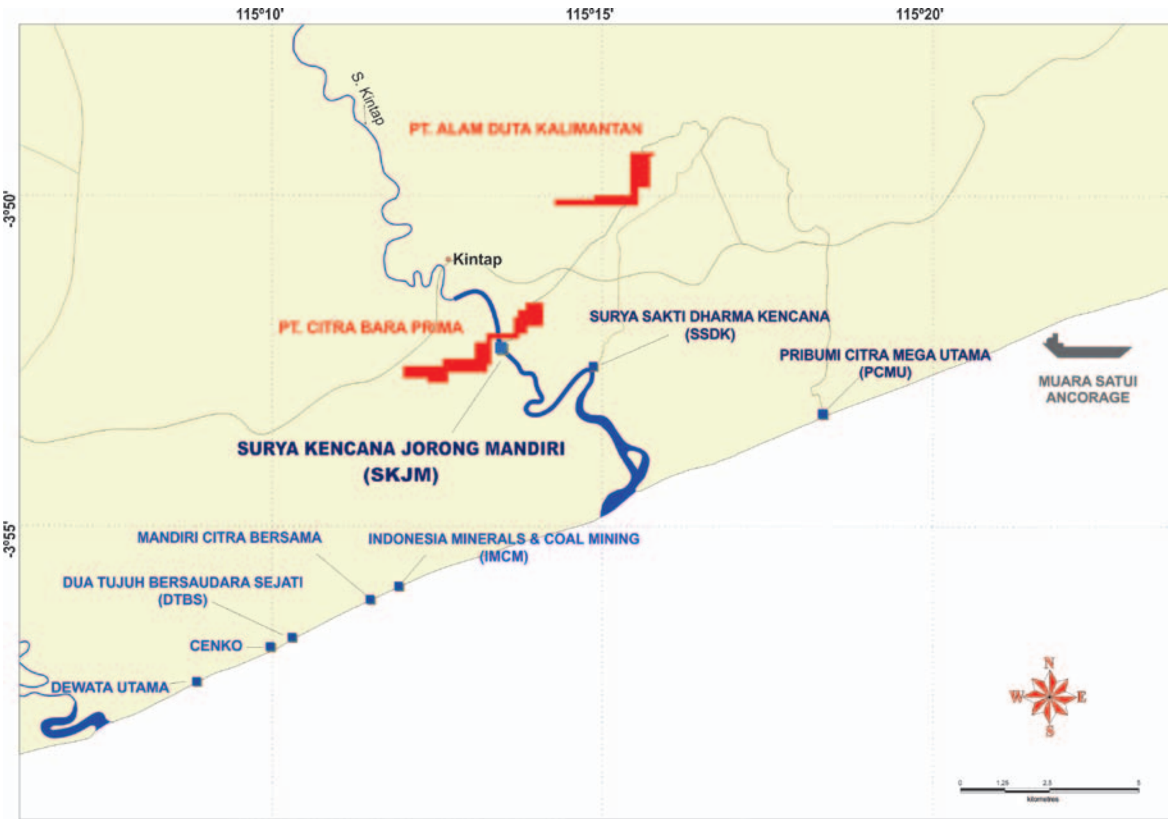
Infrastructure

The development and upgrading of the ADK mining operation progressed during the year, including the installation of a coal crusher in November 2012, followed by a weighbridge located next to the stockpile, in December 2012. Both of these additions will allow Orpheus to earn a higher sale price for its coal production, particularly as steady-state production is achieved and longer-term contracts are executed.

↓ ADK project stockpile and weighbridge

Orpheus continued in its strategic objective of developing or acquiring infrastructure facilities to service the company's existing projects in South Kalimantan as well as other potential projects, through negotiations with local landowners and barge loader owner/operators at a range of alternative proximal ports.

South Kalimantan Kintap area – Orpheus projects and ports location map



Advanced discussions continued regarding port opportunities that will facilitate Orpheus managing its entire coal chain from mine mouth to end buyer, and will include port upgrades such as all-weather loading capability. This strategy was being pursued through the management of and equity participation in existing port infrastructure as well as new port development.

↑ SKJM Port - loading Orpheus' ADK project coal

Exploration

In February 2013, Orpheus announced a resource statement in accordance with the JORC Code of 3.45 million tonnes at its Kintap ADK mining project. The JORC resource confirmed tonnage for Orpheus to enter into longer-term offtake agreements with end-users for the next five years.

The JORC resource was based on 24 exploration core holes undertaken by Orpheus, in addition to 29 historical exploration holes, drilled in the near past, over the existing mining area of approximately 100 hectares. The resource is likely to grow once drilling occurs over the balance of the tenement area, and with the possible acquisition of areas to the south and east of the concession.

Lab analysis of the coal has confirmed a highly saleable ROM coal suitable for the domestic, Indian and Chinese power station markets:

Tm %	IM %adb	Ash %adb	VM %adb	FC %adb	S %adb	CV adb	kcal/kg ar	daf
33.41	13.95	4.73	42.05	39.27	0.68	5545	4369	6815

As announced in September 2012, Orpheus executed a Heads of Agreement with PT Citra Bara Prima ("CBP"), under the strategic alliance with JV partner, PT Mega Coal International. The tenement boundary area (~195Ha) is currently being adjusted with the local authority to include a northern section of ~140 hectares. This section of the tenement holds a very significant coal seam and is where the company is likely to commence mining, under the existing production licence. This concession area is located adjacent to one of PT Arutmin's major operating coal mines and approximately 6km from Orpheus' ADK project. Exploration continues in the concession area.

Orpheus's geological team continued to be focused on identifying large exploration target projects in South Kalimantan, for resource definition and mining development. It is expected that the targeted nearby projects will hold similar quality coal resources, once results are received from future drilling.

East Kalimantan

B26 Project

Coal mining in this area of East Kalimantan is challenging, with high strip ratios and selective mining methods required, as well as a significant working capital burden to fund development until sales are achieved.

Consequently, in January 2013, Orpheus announced it had sold the company's 51% equity interest in B26 for $2m, representing a ~17% profit margin to Orpheus on the acquisition and development costs of the project paid by the company to date.

The sale proceeds significantly strengthened Orpheus's balance sheet as it focused on achieving positive cash flow and allowed the company's operational team to more efficiently develop its long-term Indonesian target areas of South Kalimantan, where mining activities are much simpler, given low strip ratios, thicker coal seams and good access to infrastructure.

↓ B4 location map in East Kalimantan

B34 Project

Sixty kilometres to the west of B26 is B34 Project of which 51% is being acquired by Orpheus and covers an area of 3126 Ha. The B4 project is located ~125km north-west of the closest barge loading facility, and is directly accessible by log hauling road.

In June 2013, Orpheus announced it had commenced a 10 drill hole program to a nominal depth of 100m at its B4 project, where previously announced high quality coal sample assays of over 8000 Kcal/kg had been reported. The program was designed to define a potential JORC resource estimate and at the time of writing, the ten-hole drilling program had just been completed and while coal was intersected in half of the holes, complete field data and assay results were not yet available.

Papua

Orpheus holds four prospective greenfield exploration areas located within 40km of the coast in Papua. Three are located in the Waropen district (some 150km north east of the major town of Nabire on the north-west coast of Papua. A fourth concession is located very close to and just north east of the Nabire town environs.

In early 2013, socialisation of the local Waropen communities was finalised, and a preliminary field exploration program was commenced, under the leadership of Dr Maran Gulton, a Javanese geologist of 30 years' experience. The team located, mapped, and sampled further coal outcrops, and had them assayed ahead of the first greenfields exploration expedition, which successfully made a coal outcrop discovery in March 2013.

The discovery team was exploring on only one of Orpheus' four Papua tenements, its 49,340 hectare concession Pt Daya Mega Pelita, in the Waropen district, Papua, and was focused on the north-eastern section of this large concession, generally heading eastwards and following the Watoa River drainage system.

The initial discovery was a seam almost 1 metre thick and was believed to extend for a significant distance into the bush area. This was followed up with more detailed exploration on another two river traverses, targeting other major river systems, with Orpheus announcing in June 2013, an additional two greenfields coal outcrop discoveries.

The table below details the assay results of the six coal samples taken from six seams in riverbank sites, found in the three greenfields expeditions so far. The results re-affirmed the company's belief that the coal found to date in the Papuan concession demonstrated similar characteristics to that of South Kalimantan coal.

	TM % (adb)	IM % (adb)	Ash % (adb)	S % (adb)	CV kcal/kg (adb)
	28.21	11.59	10.26	1.99	5149
	42.07	13.13	6.98	0.92	4904
	38.99	14.72	5.84	0.89	4901
	47.12	13.48	4.10	0.75	5283
	43.67	15.08	7.62	1.39	5064
	50.54	14.00	4.96	0.39	5029
Average	**41.77**	**13.67**	**6.63**	**1.06**	**5055**

Further follow up work is warranted and planning has commenced for further exploration later in the year.

Australia

Orpheus' legacy Australian assets were not a focus area for management over the last financial year. Any expenditure on the projects was kept to a minimum, and was limited to maintaining the tenements in good order to ensure they remained legal company assets, or in the pursuit of monetizing value for shareholders through potential asset sales or joint ventures.

Hodgson Vale, QLD (coal project) – management continued an ongoing assessment of the infrastructure (port and rail) situation for potential mining activity down the track and engaged in preliminary discussions with a potential acquirer of the project.

Ashford, NSW (limestone project) – management visited a limestone mining company that owns a major processing plant at Bathurst NSW.

Wingen, NSW (bentonite) – as announced on 8 October 2012, Orpheus withdrew from the Wingen project, having spent less than $10,000, to focus on the development of the company's Indonesian projects.

Cautionary Note:

This release may contain forward-looking statements that are based upon management's expectations and beliefs in regards to future events. 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. Except as required by ASX Listing Rules and other legal obligations, Orpheus Energy Limited takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release.

Competent Person's Statement:

The following statements apply in respect of the information in this announcement that relates to exploration results. The information is based on, and accurately reflects information compiled by Wes Harder, who is a Member of the Australasian Institute of Mining and Metallurgy. Wes Harder is a Director of Orpheus Energy Limited and is a Geologist who has sufficient experience which is relevant to the style of coal mineralisation and type of deposit under discussion and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Wes Harder consents to the inclusion in the report of the material, based on his information, in the form and context in which it appears.

* JORC- Exploration Target

It is common practice for a company to comment and discuss its exploration in terms of target and size type. The information in this report relating to exploration targets should not be misunderstood or misconstrued as an estimate of mineral resources or ore reserves. The potential quantity and grade is conceptual nature, there has been insufficient work completed to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

Corporate Governance Statement

Orpheus Energy Limited is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (Second edition August 2007 with 2010 Amendments) for the entire 2013 financial year. Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below.

		Complied	Note
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	1
1.2	Disclose the process of evaluating the performance of senior executives.	Yes	2
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	1–2
2.1	A majority of the Board should be independent directors.	No	3
2.2	The chair should be an independent director.	No	3
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	No	3
2.4	The Board should establish a nomination committee.	No	4
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	2
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes	2–4
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	Yes	5
	• the practice necessary to maintain confidence in the company's integrity;	Yes	5
	• the practices necessary to take into account the company's legal obligations and the reasonable expectation of their stockholders; and	Yes	5
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	5
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	No	6
3.3	Disclose in each annual report the measurable objective for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No	6
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	No	6
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Yes	6
4.1	The Board should establish an audit committee.	Yes	7

		Complied	Note
4.2	The audit committee should be structured so that it:		7
	• consists only of Non-executive directors;	No	
	• consists of a majority of independent directors;	No	
	• is chaired by an independent chair who is not chair of the Board;	No	
	• has at least three members.	Yes	
4.3	The audit committee should have a formal charter.	Yes	7
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	Yes	7
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	8
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Yes	8
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	9
6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	9
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	10
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	10
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	Yes	11
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Yes	10–11
8.1	The Board should establish a remuneration committee.	No	12
8.2	The remuneration committee should be structured so that it:		
	• consists of a majority of independent directors;	No	12
	• is chaired by an independent chair; and	No	12
	• has at least three members.	No	12
8.3	Clearly distinguish the structure of Non-executive directors' remuneration from that of executive directors and senior executives.	Yes	13
8.4	Provide the information indicated in Guide to reporting on Principle 8.	Yes	12–13

Notes

1. The primary responsibility of the Board is to represent and advance shareholders' interests and to protect the interests of all stakeholders. To fulfill this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

   The Board of Directors of Orpheus Energy is collectively experienced in coal and mineral exploration, mine development, finance and the management of listed public companies, and the requirements of, and compliance with, the law and ASX and ASIC rules and policies.

   As the Company will use contractors for its exploration and mine development work, the Board generally will be responsible for over-seeing the work of those contractors and their performance against contract. Four of the Directors, including the Company's Chief Executive Officer, are qualified and experienced in mineral exploration and mine development.

   The Board approves and monitors corporate strategy and performance objectives. Under the oversight of the Board's Audit and Risk Committee, the Board monitors systems of risk management, compliance and financial reporting. The Board is responsible for approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures of Company assets.

   Responsibility for the day-to-day management of the Company is delegated by the Board to the Chief Executive Officer and Managing Director, who is accountable to the Board. The Managing Director manages the Company in accordance with the strategy, plans and policies approved by the Board. The Board has determined that the Managing Director is appropriately qualified and experienced to discharge the required responsibilities.

2. The Board seeks independent advice from external remuneration consultants on executive remuneration (including incentive awards, equity awards and service contracts) and sets remuneration levels as a result of this advice. The Board currently has no formal procedure for evaluation of its Board, committee and directors. The Board considers that it is functioning effectively given its composition and a formal procedure is not required at this present.

3. As at 30 June 2013 the Board comprised three Executive Directors and two Non-executive Directors.

   Mr Michael Rhodes was appointed to the board on 1 October 2012 as an additional Non-executive Director. The Chairman, Mr Wayne Mitchell is not an independent Director.

   Even though the majority of the Board are not independent, the persons on the Board can and do make independent judgements in the best interests of the Company at all times.

   The Board supports the appointment of directors who bring a wide range of business and professional skills and experience to the Company. Directors are appointed in accordance with the constitution of Orpheus Energy Limited and are appointed for a period of three years or until the third annual general meeting following his or her appointment (whichever is longer).

4. The Company does not have a Nomination Committee as the Directors believe that size of the Company and the Board does not warrant the formation of such committee. All Board nomination matters are considered by the whole Board.

   The Board oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.

5. The Board is committed to good corporate governance and aims for continuous improvement in these practices. It embraces high ethical standards and requires both personal and corporate responsibility.

Directors, Officers and employee are required to safeguard the integrity of the Company and to act in the best interests of its stakeholders.

The Company does not yet have a formal Code of Conduct setting out its core values. In general though, the Company requires that each director and officer of the Company must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdiction in which the Company operates.

Contractors and others employed by the Company should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company.

The practices of the Board are aimed at promoting ethical and responsible decision making. The Board strives for good corporate governance and industry best practice. It specifically requires directors and employees to:

- avoid situations which may give rise to a conflict of interest;
- avoid situations where they may gain any benefit which competes with the Company's business;
- read and confirm that they understand the Company's policies;
- comply with laws and regulations;
- properly use the Company's assets for legitimate business purposes; and
- maintain confidentiality in both the Company's business and the information of its clients and shareholders.

Each director is required to disclose any interest which might create a potential conflict of interest with his her duties as a director or which might affect their independence.

There must be no conflict, or perception of a conflict, between the interests of any Company director, officer or employee and the responsibility of that person to the stakeholders. All directors, officers and employees may never improperly use their position for personal or private gain to themselves, a family member, or other associated person. Where a potential conflict exists, this should be disclosed to the Chairman prior to any dealings taking place.

6. While the company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals, no decision has been made by the Board at this time to formulate a diversity policy.

   The Board has not yet established objectives in relation to gender diversity but is committed to a continuation of current employment practices where employees are selected on merit. The aim is to achieve greater gender diversity in Director and senior executive positions as they become vacant and appropriately skilled candidates become available.

7. The Company is not fully compliant with this principle. The audit and risk committee does not have an independent chairman, has one Non-executive Director and one executive Director. Details of these Directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 18 to 30.

   Members of the Committee have relevant qualification and experience in financial matters and have a good understanding of the industry in which the Company operates.

   The Audit & Risk Committee plays a key role in assisting the Board with its responsibilities relating to accounting, internal control systems, reporting practices and risk management, and ensuring the independence of the company auditor. The terms of reference for the committee incorporate policies and procedures to ensure an effective focus from an independent perspective.

   The Audit & Risk Committee oversees and appraises the quality of the audits conducted by the auditors and emphasises areas where the Committee believes special attention is required. The external auditors are Hall Chadwick. Hall Chadwick's appointment will be reviewed periodically in line with industry best practice. The Board believes in the ongoing assessment of our audit arrangements and will comply with any regulatory requirements to rotate the Company's external audit partner.

The Audit & Risk Committee also reviews the effectiveness of administrative, operating and accounting controls.

8. The Company's Continuous Disclosure Policy, available on the Company's website, is designed to meet ASX continuous disclosure Listing Rules, market best practice, ensuring that all interested parties have an equal opportunity to obtain information which is issued by the Company.

   The procedures which have been developed to comply with these rules include immediate reporting of any matter which could potentially have a material effect, via established reporting lines to the Company Secretary. The Company Secretary is responsible for monitoring information which could be price sensitive, liaising with the Managing Director to make an initial assessment, and escalating to the Board for disclosure of such information where practicable. The Managing Director monitors daily activity to ascertain what matters should be considered for disclosure and as soon as a matter is appropriate for disclosure the Managing Director must immediately notify the Company Secretary. It is noted that the Company must not delay giving this information to the ASX. Therefore, if the Board is not immediately available, the Company Secretary will lodge such information after consultation with the Managing Director.

   Price-sensitive information will be disclosed, in the first instance, to the ASX and disclosures to the market will then be placed on the Company's website. Material information must not be selectively disclosed (i.e. to analysts, the media or shareholders) prior to being announced to the ASX, and all media releases must be referred to the Company Secretary for clearance prior to any release.

   The Company has established procedures designed to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

9. The Board has adopted a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings. In accordance with our regulatory obligations, certain periodic reporting will also be made to shareholders, including the Annual Report. The aim is for informed shareholder participation.

   The Company maintains a website and endeavours to publish on the website all relevant announcements made to the market.

   External auditors are requested to attend the annual general meeting and are available to answer shareholder questions about the conduct of the audit and preparation of the auditor's report.

10. The Board takes a proactive approach to the Company's risk management and internal compliance and control systems. The Audit & Risk Committee oversee and manage material business risks, with the entire Board a crucial part of this entire process.

    The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

    The Managing Director and the Chief Financial Officer are responsible for establishing, maintaining and reviewing the Company's risk management and internal control system. The Managing Director and Chief Financial Officer must provide periodic reports to the Board declaring that they have evaluated the effectiveness of the internal controls and procedures, and that they have reasonable assurance that all material information is known for filing purposes, the internal control of financial reporting is reliable for purposes of external reporting in accordance with the relevant accounting standards, and that no changes in the controls have occurred that may materially affect their effectiveness.

    The Managing Director and the Chief Financial Officer have declared in writing to the Board, as required under section 295A of the Corporations Act 2001 that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively in all material respects. All risk assessments cover the whole financial period and the period up to the signing of the annual financial report for all material operations in the Company.

11. The Board has received from the Chief Financial Officer an assurance that internal risk management and the internal control system are effective; and assurance from the Chief Executive Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control which is operating effectively in respect to financial reporting risks.

12. Due to the size of the Board the Company does not have a remuneration committee. The functions normally carried out by such a committee are currently handled by the whole Board as discussed in note 1.

13. The remuneration policy, which sets the terms and conditions for executive and non-executive directors, and key management personnel (KMPs), was developed after seeking professional advice from independent remuneration consultants and was approved by the Board. Increases in the total remuneration payable to Directors is approved by shareholders and the Board determines the level of individual Directors' remuneration.

    The Board has determined that non-executive directors shall receive only fixed remuneration by way of payment of fees. There is no variable, short term incentive remuneration for non-executive directors, nor is there any entitlement to retiring allowances or payments other than the statutory superannuation required by law. Each non-executive director is entitled to receive an annual fee for all services provided to the Company, including being a director of the Company.

    All Executive Directors and other Key Management Personnel (KMPs) with the exception of Non-executive Directors may receive a base salary, superannuation, fringe benefits and performance incentives. The Board reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria which are based on the forecast growth of the company's profits and shareholders' value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

    The amount of remuneration for all KMP for the company, including all monetary and non-monetary components, is detailed in the remuneration report under the heading "Remuneration – Key Management Personnel'. All remuneration paid to executives is valued at the cost to the company and expensed. The cost of shares allotted to KMPs is measured as the difference between the market price of those shares and the amount paid by the executive. Options are measured using the Black-Scholes methodology.

Directors' Report

The Directors of Orpheus Energy Limited present their report on the Company and its controlled entities for the financial year ended 30 June 2013.

Directors

The names of directors in office during or since the end of the financial year are:

- **Mr Wayne Mitchell**, Executive Chairman, CEO and Managing Director
- **Mr David Smith**, Executive Director
- **Mr Wesley Harder**, Executive Director and Exploration Manager
- **Mr Anthony King**, Non-executive Director
- **Mr Michael Rhodes**, Non-executive Director (Appointed 1 October 2012)

Mr Wayne Mitchell

Executive Chairman, CEO and Managing Director

Qualifications: AASA, AAIM

Experience: Mr Wayne Mitchell is a qualified accountant with over 30 years of extensive senior management experience in the natural resource sector, both in Australia and in Southeast Asia. In the early 1970s, Mr Mitchell and two partners were the initial promoters and developers of Thailand's major zinc deposit located at Mae Sot, Northern Thailand. This resource is now owned and operated by a Thai public company, Padaeng Industry Company Ltd. Mr Mitchell specializes in the areas of financial planning, fund raising and project evaluation.

He is also a past Chairman of listed company Central Victorian Gold Mines N.L and a director of Diversified Mineral Resources NL where he initiated and led the project team for the Burton Downs Coal project taken over by Portman Mining before being sold for more than $200 million. Mr Mitchell was a co-founder and chairman of Coalworks, recently acquired by Whitehaven Coal.

Special responsibilities: Member of the Audit and Risk Committee.

Interest in shares and options: 4,250,533 ordinary shares and 3,000,000 options over ordinary shares.

Mr David Smith

Executive Director

Qualifications: B Econ, Dip Mgmt – Exec MBA

Experience: Mr Smith was formally an investment banker for 15 years, and was most recently at BBY Limited where he was Head Equity Capital Markets and a member of the group's Executive and Risk Management Committee.

Mr Smith joined BBY in 2004 and up until he left in 2011, BBY's Corporate Finance division raised more than $4 billion for its corporate clients. He has extensively advised corporate clients in the bulk commodities sectors of coal and iron ore. In 2008, the BBY Corporate Finance division won the "Best Corporate Deal of the Year" award at the Australian Stockbrokers Foundation Awards for a coal sector client.

Mr Smith maintained a Top 10 ranking in the annual SMH Age East Coles Investment Banking surveys from 2008-2010. Prior to joining BBY, he worked at Ord Minnett and then JPMorgan Chase.

Mr Smith was a co-founder and a former Executive Director of Coalworks Limited which was recently acquired by Whitehaven Coal.

Interest in shares and options: 20,167,150 ordinary shares and 1,500,000 options over ordinary shares.

Mr Wesley Harder

Executive Director and Exploration Manager

Qualifications: B Sc, Dip SIA, M Aus IMM

Experience: Mr Harder is a former coal analyst with Jackson Ltd, stockbrokers, and has also worked with a number of other stockbrokers, including Ord Minnett and Frank Renouf. He has also worked as a field exploration geologist for fifteen years in Australia and its near neighbours including Sumatra and Irian Jaya in Indonesia, mainland Papua New Guinea and New Britain Island, many parts of the Solomon Islands and Fiji.

In Australia he worked in New South Wales, Queensland, the Northern Territory and Tasmania. He has worked in tropical and arid environments searching for a range of mineral commodities including coal, gold, copper and uranium for companies including Newmont Mining Inc., Placer Prospecting Ltd, Pancontinental Mining Limited and Gujarat NRE Coking Coal Ltd. He was a Founding Director and CEO of Zinico Resources NL and its successors for 5 years and Mr Harder was a founding shareholder of Coalworks.

Special responsibilities: Exploration Manager.

Interest in shares and options: 1,578,068 ordinary shares and 1,500,000 options over ordinary shares.

Other current Directorships: Director of Commissioners Gold Limited (ASX:CGU).

Mr Anthony King

Non-executive Director

Qualifications: B Sc, BA

Experience: Mr King is a professional metallurgist and qualified geologist with over 20 years operational and technical experience within the resource industry. A graduate of the University of Cape Town South Africa, Mr King worked for Cominco in the mid 70s as geologist in the field carrying out exploration programs and later held senior positions as Company Chemist for Ardlethan Tin, Gold Copper Exploration Pty Ltd and Great Northern Mining Corporation Ltd.

During this time he completed another degree in Earth Science at Macquarie University, Sydney and in 1987 established Tableland Analytical, of which he is the principal providing mill, processing design, assay and metallurgical services to the resource industry. Mr King is a former director of Allegiance Mining NL where he was General Manager – Operations. He has also been involved in design and construction of coal washing plants and has participated in a wide variety of resource projects.

Special responsibilities: Chairman of Audit and Risk Committee from 1 July 2012 to 1 May 2013.

Interest in shares and options: 327,242 ordinary shares and 1,000,000 options over ordinary shares.

Mr Michael Rhodes (Appointed 1 October 2012)

Non-executive Director

Experience: Mr Rhodes is a highly experienced drilling engineer having worked around the world including South East Asia and the Middle East. He has lived and worked in Indonesia for over 20 years and previously established a successful infrastructure and logistics company in Balikpapan. He is a principal and Director of PT Mega Coal, Orpheus' Indonesian JV partner.

Special responsibilities: Chairman of the Audit and Risk Committee appointed 1 May 2013.

Interest in shares and options: 70,000 ordinary shares.

Company Secretary

Mr John Stone B Ec (Appointed 9 May 2013)

John has over 30 years' experience in the Australian and international corporate markets. In that time he has been a Director and Company Secretary for a diverse range of private and public listed companies. Also Company Secretary of listed company Zamia Metals Limited and International Base Metal Ltd.

Mr David Smith B Econ, Dip Mgmt – Exec MBA (Appointed 17 July 2012, resigned 9 May 2013)

Mr Smith, a director of the Company was appointed interim Company secretary on 17 July 2012 until the appointment of John Stone.

Chief Financial Officer (CFO)

Mr Barry Neal B Econ (appointed 15 December 2012)

Barry has had more than 25 years of experience acting as a CFO for both public and unlisted companies in a variety of sectors including mining and resources, property, retail, corporate services, and technology, and was recently CFO of ASX listed minerals development company ASF Group Limited. Prior to that Barry held various overseas postings for the Australian Trade Commission in countries including Indonesia, China, Malaysia and a number of countries in Europe.

Mr David Oastler (resigned 15 December 2012).

Principal Activity

The principal activities of the Group are acquiring, exploring and developing coal and infrastructure projects in Indonesia.

This is a change from the previous financial year when the Group's principal activities were involved with Indonesia and Australia. The Group's focus is now on Indonesia.

Dividends

No dividends have been declared in the 2013 financial year (2012: no dividend declared).

Review of Operations

Information on the operations of the groups, its business strategies and prospects is set out in the summary of operations on pages 4 to11 of the annual report.

Operating Results

The Group's net loss after tax (NLAT) was $3,603,206 (2012: $7,823,641).

Orpheus has continued to focus on developing its portfolio of projects in Indonesia during the financial year with revenues of $4,246,174 from its South Kalimantan operations (2012: $135,000).

Shares and Options

Following shareholder approval on 24 September 2012 the $2.2m Orpheus Energy Limited Convertible notes held by Coalworks Limited and the accumulated interest was converted into 18,181,080 Ordinary fully paid shares in Orpheus. There were 150,266,271 ordinary shares on issue at 30 June 2013 of which 19,780,352 were under escrow. Details of movements in ordinary share capital during the year ended 30 June 2013 are set out in Note 19 in the financial statements.

1,1,619,049 options over ordinary shares exercisable at $2.63 expired on 8 September 2012.

At 30 June 2013 there were 14,925,000 unquoted and unexpired options exercisable at prices between $0.20 and $0.25 on 4 August and 30 September 2014. Since the end of the financial year, no options have expired. Of the options over ordinary shares unexercised at reporting date 13,925,000 were under escrow until 17 August 2013. Details of movements in unexercised options during the year ended 30 June 2012 are set out in Note 21 in the financial statements

Since the end of the financial year, and up to the date of this report, no new shares have been issued as a consequence of the exercise of options which were on issue at year end. Refer to 'Matters subsequent to the end of the financial year' for information on shares and options over ordinary shares released from escrow post balance date.

As announced on 23 November 2012, Orpheus completed its sale and top-up of unmarketable parcels and sale of shares through the Share Sale facility at an average price of 6.5 cents per share. The facilities allowed the company to reduce the total number of shareholders from ~2,500 to ~1,050 providing savings in ongoing share registry and shareholder communications costs.

Significant changes in the state of affairs

On 8 October 2012 Orpheus announced that it had executed a Deed of Termination with Plasminex, whereby Orpheus has withdrawn from the joint venture on tenements held by Plasminex near Wingen, NSW containing bentonite mineralisation.

As announced on 21 January 2013, Orpheus re-located and changed the company's registered address to Level 12, 179 Elizabeth St, Sydney NSW 2000.

As announced on 21 January 2013, Orpheus appointed Mr Barry Neal as its new Chief Financial Officer. Mr Neal has more than 25 years of experience acting as a CFO or Financial Controller for both public and unlisted companies in a variety of sectors including mining and resources, property, retail, corporate services, technology and was recently the CFO for ASX listed minerals development company, ASF Group Limited. Prior to that Mr Neal held various overseas postings for the Australian Trade Commission in countries including Indonesia, China, Malaysia and a number of countries in Europe.

On 23 May 2013, Orpheus announced the appointment of Mr John Stone as Company Secretary. David Smith had been acting in the interim role since July 2012. John has over 40 years' experience in the Australian and international capital markets for a diverse range of public and private companies, primarily in corporate banking and mineral exploration. John has held an Executive Director role and company secretarial position with Standard Chartered Bank Australia and Scanbox International respectively. John is also currently the Company Secretary for a number of resource companies including Internationals Base Metals Limited and Zamia Metals Limited

Effective 31 December 2012 Orpheus Energy Limited's fully owned subsidiary Orpheus Energy Group Pty Limited acquired the remaining 50% equity in the Indonesian entity PT Orpheus Energy Indonesia from PT Mega Coal for a consideration of $481,325.

The PMA company had originally been a 50/50 capital structure between Orpheus Energy Limited and its Indonesian Joint Venture partner, PT Mega Coal International. Given each mining project in Indonesia becomes the subject of a separate PMA company structure, it had been agreed between the parties last year that PT Orpheus Energy (PTO) should be restructured. PTO to is now 100% owned and controlled by Orpheus and it is planned that each company (project) is ultimately owned 51% by Orpheus Energy Limited and 49% by PT Mega Coal International.

On 31 January 2013 Orpheus announced that it has sold its 51% equity stake in PT Pola Andika and PT Berkah Bhumi Abadi (Block 2 and Block 6) (B26) in the East Kalimantan coal projects, back to the company's joint venture partner PT Mega Coal for $2 million. Payment has been received and the shares in these two companies have been transferred to PT Mega Coal on 30 June 2013 with Orpheus no longer having an interest in these companies from this date.

Matters subsequent to the end of the financial year

(a) Acquisition of PT Alum Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP)

Orpheus previously announced that it has paid deposits to PT Mega Coal to acquire a 51% interest in two South Kalimantan tenements. On 1 July 2013 Orpheus converted these deposits to PT Mega Coal of US$1 million for a 51% interest in PT Alum Duta Kalimantan ("ADK") and USD$200,000 for a 51% interest in PT Citra Bara Prima ("CBP"). The equity shares in these two companies are held by a nominee on behalf of Orpheus's Indonesian fully owned subsidiary PT Orpheus Energy Indonesia ("PTO").

These acquisitions will increase the Group's coal resources and potential income from the sale of coal.

The financial effects of these transactions have not been brought to account at 30 June 2013. The operating results and assets and liabilities of these companies will be consolidated from 1 July 2013.

(b) Shares released from escrow

On 2 August 2013 19,780,352 ordinary shares were released from escrow and will be listed on the ASX as from 18 August 2013. On the same date 1 million options over ordinary shares exercisable at $0.25 and expiring on 4 August 2014 and 12.75 million options over ordinary shares exercisable at $0.20 and expiring on 30 September 2014 were released from escrow. These options are unlisted.

(c) Share top-up facility

On the 20 August 2013 Orpheus initiated a facility designed to allow shareholders with holdings of less than A$500 to sell their shares in the Company. In addition shareholders with shareholding of less than $500 have been given the opportunity to top up their shareholding by earth $500 or $1,000.

(d) Singapore Holding Company

On 22 August 2013, Orpheus Energy Singapore Pte. Ltd, was registered in Singapore to hold the assets of the Group's Indonesian assets. The company is a fully owned subsidiary of Orpheus Energy Limited.

(e) Agreement with SKJM Port operators in South Kalimantan

On 17 September 2013 Orpheus executed a binding agreement with the proprietor of SKJM Port in South Kalimantan to secure exclusive barge loading capacity in excess of 200,000 tonnes per month for a term of 10 years.

Orpheus has executed a commercial-in-confidence, binding agreement with a local Indonesian infrastructure investor to fund the transaction. PT Orpheus Energy ("PTO"), Orpheus's 100% owned Indonesian subsidiary, has already received the first tranche (of two tranches) payment and the funds are to be deployed progressively over the course of the next several months as the SKJM facilities are upgraded. SKJM Port is legally obliged to repay the principal amount to PTO in equal monthly installments, which will be passed through to the funder, together with a commercial rate of interest on the reducing balance. Critically, this means Orpheus has completely mitigated funding risk and quantum to the level of a reducing, monthly interest payment.

Likely developments and expected results of operations

Comments on review of operations of the Group are included in the annual report under summary of activities on pages 4 to11.

Further information on likely developments in the operations of the Group and the expected result of operations have not been included in the annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulations

The Group is subject to environmental regulations in Australia and Indonesia with respect to mineral exploration and mining. To the best of the Directors' knowledge, all activities have been undertaken in compliance with these environmental regulations.

Directors' Meetings

The Company held five Directors' meetings during the year and four Audit and Risk Committee meetings.

The attendances of the directors in office during the year at meetings of the Board were:

	Board of Directors		Audit and Risk Committee	
Director	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
Wayne Mitchell	5	5	4	4
David Smith	5	5	–	–
Wesley Harder	5	5	–	–
Anthony King	5	4	4	4
Michael Rhodes	4	4	3	3

Remuneration Report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purposes of this report, "executive" encompasses the Executive Chairman, Executive Director and the senior executives, who collectively comprise the Executive Management team.

(a) Details of Directors and Key Management Personnel during the year ended 30 June 2013

Wayne Mitchell	Chairman, Chief Executive Officer and Managing Director
David Smith	Executive Director Company Secretary (appointed 16 July 2012, resigned 9 May 2013)
Wesley Harder	Director, Exploration Manager
Anthony King	Non-executive Director
Michael Rhodes	Non-executive Director (appointed 1 October 2012)
Nathan Bartrop	Company Secretary (resigned 16 July 2012)
John Stone	Company Secretary (appointed 9 May 2013)
David Oastler	CFO (resigned 15 December 2012)
Barry Neal	CFO (appointed 15 December 2012)

(b) Remuneration governance

The Company does not have a remuneration committee with remuneration decisions made by the Board on:

- The over-arching executive remuneration framework
- Operation of the incentive plans which apply to the executive team including key performance indicators and performance hurdles
- Remuneration levels of executive directors and the key management personnel, and
- Non-executive director fees

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. During the reporting period the Board sought advice from Guerdon Associates as an independent remuneration consultant (see section (c) below).

(c) Use of remuneration consultants

In May 2013, the Board employed Guerdon Associates to review its remuneration policies and to provide recommendations on executive remuneration including short-term and long-term incentive plans. These recommendations covered the Group's key management personnel. Under the terms of the engagement, Guerdon Associates provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $39,000 for these services.

Guerdon Associates has confirmed that their recommendations have been made free from undue influence by members of the Group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influences:

- Guerdon Associates was engaged by, and reported directly to Mr Michael Rhodes, a Non-Executive Director. The agreement for the provision of remuneration consulting services was executed by this Non-executive Director under delegated authority on behalf of the Board.

- The report containing the remuneration recommendations was provided by Guerdon Associates directly to this Non-Executive Director.
- Guerdon Associates was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, Guerdon Associates was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

(d) Executive remuneration policy and framework

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable enabling the company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- acceptable to shareholders.

The executive remuneration framework has three components:

- base pay and benefits, including superannuation;
- short-term incentives (STIs) – cash bonuses; and
- long-term incentives (LTIs) through participation in the Orpheus Employee Option Plan.

The payment of STIs and LTIs is conditional on the achievement of set performance criteria.

No short-term or long-term incentives were paid to executives during the reporting period.

(e) Relationship between remuneration and the Group's performance

The table shows key performance indicators for the Group over the two years since listing:

	2013	2012
Coal tonnage	**137,084**	37,000
Coal sales revenue	**4,246,174**	135,000
Loss for the year attributable to the owners of Orpheus Energy ($)	**(3,603,206)**	(7,823,641)
Basic earnings per share (cents)	**(2.78)**	(7.43)
Net Tangible Assets (NTA) ($)	**11,692,844**	14,047,844
Dividend payment ($)	**–**	–
KMP remuneration	**863,466**	833,838
Total KMP as a percentage of loss for the year (%)	**23.87**	10.02

(f) Non-executive Director remuneration policy

Non-executive Directors receive director's fees plus superannuation contributions to a complying fund. Non-executive Directors do not receive performance based pay.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration advisor.

(g) Shareholder approved directors' fees pool

The maximum annual aggregate directors' fee pool limit is $200,000 and was approved by shareholders at the 2010 annual general meeting held on 30 November 2010.

The following fees have applied:

	2013	2012
Directors fees including superannuation contribution (SGL)	177,125	136,320

(h) Voting and comments made at the company's 2012 Annual General Meeting

Orpheus Energy Limited received more than 76% of 'yes' votes on its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

(i) Details of Remuneration

The following tables show details of remuneration received by the Directors and the key management personnel of the Group for the current and previous financial years:

	Short Term			Post Employment Benefit	Long Term	Share-based payments	
	Directors Fees	Salary	Consulting Fees	Super-annuation	Long Service Leave	Options	TOTAL
2013	$	$	$	$	$	$	$
Directors							
W. Mitchell	50,000	200,000	–	22,500	–	–	**272,500**
D. Smith	30,000	180,583	–	18,952	–	–	**229,535**
W. Harder	30,000	135,000	–	14,850	–	–	**179,850**
A. King	30,000	–	–	2,700	–	–	**32,700**
M. Rhodes[1]	22,500	–	–	2,025	–	–	**24,525**
Other Key Management Personnel							
D. Oastler (CFO)[2]	–	–	54,716	–	–	–	**54,716**
B. Neal (CFO)[3]	–	–	68,240	–	–	–	**68,240**
J. Stone (Secretary)[4]	–	–	1,400	–	–	–	**1,400**
	162,500	**515,583**	**124,356**	**61,027**	**-**	**-**	**863,466**

1 Appointed 1 October 2012
2 Resigned 15 December 2012
3 Appointed 15 December 2012
4 Appointed 9 May 2013

	Short Term			Post Employment Benefit	Long Term	Share-based payments	
	Directors Fees	Salary	Consulting Fees	Superannuation	Long Service Leave	Options	TOTAL
2012	$	$	$	$	$	$	$
Directors							
W. Mitchell	45,833	200,003	9,600	22,125	–	–	**277,561**
D. Smith	24,231	62,192	–	7,778	–	5,737	**99,938**
W. Harder	27,500	122,500	7,139	13,500	–	–	**170,639**
A. King	27,500	–	–	2,475	–	–	**29,975**
Other Key Management Personnel							
C. Hagan (Legal Advisor)	–	–	21,737	–	–	–	**21,737**
N. Bartrop (Co Sec)	–	112,500	–	–	10,125	2,869	**125,494**
D. Oastler (CFO)	–	–	105,625	–	–	2,869	**108,494**
	125,064	**497,195**	**144,101**	**56,003**	**10,125**	**11,475**	**833,838**

The following consultancy service payments were made by the Company in respect of work done prior to the date of the prospectus. These payments were outlined in the Prospectus (Section 13f) lodged with ASIC 24 May 2011 and have been paid in the 2012 financial year:

- Mr W Mitchell: $100,000, Mr W Harder: $60,000 and Mr C Hagan: $100,000.

(j) Service agreements

Remuneration and other terms of employment for the Chief Executive Officer, other Directors and key management personnel are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Other major provisions of the agreements relating to remuneration are set out below:

Name	Term of agreement	Based salary plus super (SGL)	Termination Benefit
Wayne Mitchell Chief Executive Officer	Ongoing commencing 28 Feb 2011	Salary $200,000 p.a. plus Directors fees of $50,000 plus superannuation (SGL)	12 Months
David Smith Executive Director	Ongoing commencing 27 July 2012 (amended)	Salary $190,000 p.a. plus Directors fees of $30,000 plus superannuation (SGL)	6 Months
Wesley Harder Executive Director, Exploration Manager	Ongoing commencing 28 Feb 2011	Salary $135,000 p.a. plus Directors fees of $30,000 plus superannuation (SGL)	6 Months
Michael Rhodes Non-executive Director	Ongoing commencing 1 October 2012	Directors fees of $30,000 plus superannuation (SGL)	Nil
Anthony King Non-executive Director	Ongoing commencing 2 Feb 2012	Directors fees of $30,000 plus superannuation (SGL)	Nil
Barry Neal Chief Financial Officer	Period 1 March 2013 to 28 Feb 2014	Consultancy fee payable to a related entity $124,800 p.a. plus GST(part-time)	Nil
John Stone Company Secretary	Period 1 May 2013 to 30 April 2014	Consultancy fee payable to a related entity $100 p.h. plus GST(part-time)	Nil

(k) Details of share-based payments

Details of options over ordinary shares in the company provided as remuneration to Directors and other key management personnel as at 30 June 2013 are set out below. No options were issued during the financial year.

When exercisable each option is convertible into one ordinary share of Orpheus Energy Group Limited.

Name	Date of Grant	Vesting Date	No of options granted	Exercise price	Expiry Date	Value of options
Wayne Mitchell	30.11.10	30.11.10	3,000,000	$0.20	30.9.2014	$112,800
David Smith	17.08.11 30.11.10	17.08.11 30.11.10	500,000 1,000,000	$0.20 $0.20	30.9.2014 30.9.2014	$5,737 $37,600
Wesley Harder	30.11.10	30.11.10	1,500,000	$0.20	30.9.2014	$56,400
Anthony King	30.11.10	30.11.10	1,000,000	$0.20	30.9.2014	$37,600

End of Remuneration Report (Audited)

Shares under option

Unissued ordinary shares of Orpheus Energy Group Limited under option at the date of this report are as follows:

Date options granted	Expiry Date	Issue price of shares	Number under option
30/11/2010*	30/09/2014	$0.20	12,750,000
08/08/2011	04/08/2014	$0.25	1,000,000
17/08/2011*	30/09/2014	$0.20	1,175,000
			14,925,000

* Included in these options were options granted as remuneration to the Directors and other key management personnel as disclosed in the table above under 'Details of share-based payments;

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

Shares Issued on the exercise of options

No shares have been issued as a result of the exercise of options granted as compensation to key management personnel during the years ended 30 June 2013 and 30 June 2012.

Auditor Independence

The directors received a declaration from the auditor of Orpheus Energy Limited which is appended to this report.

Non-Audit Services

There were no non-audit services provided by Hall Chadwick, the current auditors of the Company.

Indemnifying and Insurance of Directors and Officers

During or since the end of the previous financial year, the Company has given an indemnity or entered into an agreement to indemnity, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors and key management personnel of the Company as named above, the Company Secretary, and all executive officers of the Company against any liability incurred as such by Directors, the Secretary or Executive Officers to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

This report has been made in accordance with a resolution of directors.

Wayne Mitchell
Director

26 September 2013

Auditor's Independence Declaration

HALLCHADWICK

Chartered Accountants and Business Advisers

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick

HALL CHADWICK
Level 29, St Martins Tower
31 Market Street, SYDNEY NSW 2001

Graham Webb
Partner
Dated 26 September 2013

SYDNEY

Level 29
St Martin's Tower
31 Market Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

NEWCASTLE

Ph: (612) 4969 5521
Fx: (612) 4969 6059

PARRAMATTA

Ph: (612) 9687 2100
Fx: (612) 9687 2900

PENRITH

Ph: (612) 4721 8144
Fx: (612) 4721 8155

MELBOURNE

Ph: (613) 8678 1600
Fx: (613) 8678 1699

PERTH

Ph: (618) 6557 6200
Fx: (618) 9218 8950

BRISBANE

Ph: (617) 3211 1250
Fx: (617) 3211 1249

GOLD COAST

Ph: (617) 5538 2322
Fx: (617) 5526 8599

A member of AGN International Ltd, a worldwide association of separate and independent accounting and consulting firms

www.hallchadwick.com.au

SYDNEY • NEWCASTLE • PARRAMATTA • PENRITH • MELBOURNE • PERTH • BRISBANE • GOLD COAST

Independent Auditor's Report

HALLCHADWICK

Chartered Accountants and Business Advisers

ORPHEUS ENERGY LIMITED
ABN 67 121 257 412
AND CONTROLLED ENTITIES

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

Report on the Financial Report

We have audited the accompanying financial report of Orpheus Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2013, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

SYDNEY

Level 29
St Martin's Tower
31 Market Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

NEWCASTLE

Ph: (612) 4969 5521
Fx: (612) 4969 6059

PARRAMATTA

Ph: (612) 9687 2100
Fx: (612) 9687 2900

PENRITH

Ph: (612) 4721 8144
Fx: (612) 4721 8155

MELBOURNE

Ph: (613) 8678 1600
Fx: (613) 8678 1699

PERTH

Ph: (618) 6557 6200
Fx: (618) 9218 8950

BRISBANE

Ph: (617) 3211 1250
Fx: (617) 3211 1249

GOLD COAST

Ph: (617) 5538 2322
Fx: (617) 5526 8599

HALLCHADWICK

ORPHEUS ENERGY LIMITED
ABN 67 121 257 412
AND CONTROLLED ENTITIES

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

Auditor's Opinion

In our opinion:

a. the financial report of Orpheus Energy Limited is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(c) in the financial report which indicates that the company incurred a net loss of $3,603,206 and incurred negative cash flows from operating activities of $1,815,699 during the year ended 30 June 2013. Note 1(c) also states that based on projected coal sales, the company will have sufficient cash reserves for at least twelve months from the date of this report. These conditions, along with other matters as set forth in Note 1(c), 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.

Report on the Remuneration Report

We have audited the remuneration report included in pages 24 to 28 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Orpheus Energy Limited for the year ended 30 June 2013 complies with s 300A of the Corporations Act 2001.

Hall Chadwick

HALL CHADWICK
Level 29, St Martins Tower
31 Market Street, SYDNEY NSW 2001

Graham Webb
Partner
Dated 26 September 2013

Directors' Declaration

In accordance with a resolution of the Directors of Orpheus Energy Limited, the Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 35 to 73, are in accordance with the Corporations Act 2001, and:
   a) comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group;
2. 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; and
3. the Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Wayne Mitchell
Chairman

26 September 2013

Consolidated Statement Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Revenue			
Sales revenue	4	**4,246,174**	135,000
Other revenue		**76,427**	316,920
Expenses			
Coal purchases and extraction costs		**(3,888,382)**	–
Royalty expenses		**(193,661)**	–
Project investigation and feasibility expenses		**(930,485)**	(511,455)
Consultancy and professional fees		**(330,178)**	(346,716)
Employment and related costs		**(1,130,171)**	(891,423)
Insurance expenses		**(60,407)**	(66,688)
Legal expenses		**(137,195)**	(269,677)
Depreciation and amortisation expense		**(54,828)**	(13,858)
Marketing and promotion expenses		**(103,312)**	(115,939)
Finance costs		**(41,225)**	(132,091)
Lease rental expenses and occupation costs		**(158,022)**	(90,010)
Restructuring, expert reports and related expenses		**–**	(97,356)
Compliance costs		**(142,729)**	(64,711)
Travel and accommodation expenses		**(320,981)**	(246,111)
Foreign currency translation losses realised		**(207,813)**	(381)
Share-based payments		**–**	(241,315)
Bad debts written off		**(135,000)**	–
Impairment of investment in exploration licences		**(356,342)**	(2,721,155)
Impairment of investment		**–**	(100,000)
Impairment of goodwill		**–**	(2,179,363)
Other expenses		**(202,561)**	(187,312)
Loss before income tax		**(4,070,691)**	**(7,823,641)**
Income tax expense	6	**–**	–
Net Loss for the year from continuing operations		**(4,070,691)**	**(7,823,641)**
Profit from discontinued operations	27	**467,485**	–
Loss for the year		**(3,603,206)**	**(7,823,641)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**543,303**	(40,082)
Total comprehensive income for the year		**(3,059,903)**	**(7,863,723)**
Loss attributable to:			
Members of the parent entity		**(3,648,269)**	(7,569,384)
Non-controlling interests		**45,063**	(254,257)
		(3,603,206)	(7,823,641)
Total comprehensive income attributable to:			
Members of the parent entity		**(3,150,446)**	(7,609,466)
Non-controlling interests		**90,543**	(254,257)
		(3,059,903)	(7,863,723)
Earnings per share			
From continuing and discontinued operations:			
Basic and diluted (loss) per share (cents per share)	7	**(2.46)**	(7.43)
From continuing operations: Basic and diluted (loss) per share (cents per share)	7	**(2.78)**	(7.43)
From discontinued operations: Basic and diluted (loss) per share (cents per share)	7	**0.32**	–

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**1,595,514**	3,585,127
Trade and other receivables	10	**447,765**	1,543,864
Inventories		**5,980**	–
Total Current Assets		**2,049,259**	**5,128,991**
Non Current			
Deposits paid	11	**5,239,395**	4,549,129
Exploration, evaluation and development expenditure	12	**4,323,110**	7,142,561
Plant and equipment	13	**217,454**	87,461
Security deposits	14	**84,090**	82,228
Financial assets		**605**	605
Intangible assets	15	**–**	135,837
Total Non-Current Assets		**9,864,654**	**11,997,821**
TOTAL ASSETS		**11,913,913**	**17,126,812**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	**160,346**	725,412
Employee provisions	17	**60,723**	17,719
Convertible notes	18	**–**	2,200,000
Total Current Liabilities		**221,069**	**2,943,131**
TOTAL LIABILITIES		**221,069**	**2,943,131**
NET ASSETS		**11,692,844**	**14,183,681**
EQUITY			
Issued capital	19	**30,695,699**	28,332,145
Reserves	20	**1,184,241**	693,733
Accumulated losses		**(20,187,096)**	(16,302,532)
Parent entity interest		**11,692,844**	12,723,346
Non-controlling interests		**–**	1,460,335
TOTAL EQUITY		**11,692,844**	**14,183,681**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

	Note	Issued Capital Ordinary	Accumulated losses	Employee Benefits Reserve	Option Reserve	Foreign Currency Translation Reserve	Non-controlling Interests	Total Equity
		$	$	$	$	$	$	$
Balance at 1 July 2011		**8,383,694**	**(9,713,100)**	**979,952**	**–**	**–**	–	**(349,454)**
Loss for the year		–	(7,569,384)	–	–	–	(254,257)	**(7,863,723)**
Other comprehensive income		–	–		–	(40,082)	–	**(40,082)**
Total comprehensive income for the year		**–**	**(7,569,384)**	**–**	**–**	**(40,082)**	**(254,257)**	**(7,863,723)**
Transactions with owners in their capacity as owners:								
Shares issued during the year pursuant to the prospectus	19	20,439,536	–	–	–	–	–	**20,439,536**
Transaction costs		(491,085)	–	–	–	–	–	**(491,084)**
Recognition of non-controlling interests		–	–	–	–	–	1,714,592	**1,714,591**
Transfer from reserves to accumulated losses		–	979,952	(979,952)	–	–	–	**–**
Options granted during the year		–	–	–	733,815	–	–	**733,815**
			979,952	(979,952)	733,815	–	1,714,592	**22,356,776**
Balance at 30 June 2012		**28,332,145**	**(16,302,532)**	**–**	**733,815**	**(40,082)**	**1,460,335**	**14,183,681**
Balance at 1 July 2012		**28,332,145**	**(16,302,532)**	**–**	**733,815**	**(40,082)**	**1,460,335**	**14,183,681**
Loss for the year		–	(3,648,269)	–			45,063	**(3,603,206)**
Other comprehensive income		–	–			497,823	45,480	**543,303**
Total comprehensive income for the year		**–**	**(3,648,269)**	**–**		**497,823**	**90,543**	**(3,029,903)**
Transactions with owners in their capacity as owners:								
Shares issued during the year as settlement of a convertible note	19	2,363,554	–	–		–	–	**2,363,554**
Acquisition of non-controlling interests	26	–	(243,610)	–		–	(237,715)	**(481,325)**
De-recognition of non-controlling interests		–	–	–		–	(1,313,163)	**(1,313,163)**
Options expired during the year transferred to accumulated losses		–	7,315	–	(7,315)	–	–	**–**
		2,363,554	(236,295)	–	(7,315)	–	(1,550,878)	**569,066**
Balance at 30 June 2013		**30,695,699**	**(20,187,096)**	**–**	**726,500**	**457,741**	**–**	**11,692,844**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Cash flows from operating activities			
Receipts from customers		**4,079,063**	–
Payments to suppliers and employees		**(5,926,086)**	(1,977,263)
Interest received		**35,661**	118,437
Interest paid		**(4,337)**	(132,091)
Net cash flows (used in) operating activities	9(a)	**(1,815,699)**	**(1,990,917)**
Purchase of plant and equipment		**(187,321)**	(86,283)
Payments for exploration and development expenditure		**(808,067)**	(140,514)
Proceeds from sale of subsidiaries, net of cash acquired		**1,987,155**	–
Acquisition of additional interest in a controlled entity		**(481,325)**	–
Payments as security deposits		**–**	(82,229)
Payments for other assets		**–**	(100,000)
Payments for working capital and other advances		**–**	(626,262)
Payments as advances to joint venture partner		**–**	(488,170)
Deposits paid for interests in tenements		**(690,266)**	(2,349,129)
Net cash flows (used in) investing activities		**(179,824)**	**(3,872,587)**
Cash flows from financing activities			
Proceeds from issue of shares, net of capital raising costs		**–**	7,641,691
Net cash flows from financing activities		**–**	**7,641,691**
Net (decrease)/increase in cash and cash equivalents		**(1,995,523)**	1,778,187
Cash and cash equivalents at beginning of period		**3,585,127**	1,606,800
Cash acquired on acquisition		**–**	200,140
Effect of exchange rate changes on cash and cash equivalents		**5,910**	–
Cash and cash equivalents at end of period	9	**1,595,514**	**3,585,127**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2013

The financial report includes the financial statements and notes of Orpheus Energy Limited, a listed public company incorporated and domiciled in Australia.

The financial statements were authorised for issue on 20 September 2013 by the directors of the company.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are general purpose financial statements, which has been prepared in accordance with Australian Accounting Standards ('AASBs') , Australian Accounting Interpretations, other authoritative pronouncements, as issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001.* The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable financial information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards issued by the ISAB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b) Principles of consolidation

The consolidated financial statements comprise the assets, liabilities and results of entities controlled by Orpheus Energy Limited at the end of the reporting period. A controlled entity is any entity over which Orpheus Energy Limited a listed public entity has the ability and right to govern the financial and operating policies so as to obtain benefits from their activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Details of subsidiaries are set out in Note 28.

Subsidiaries Bushveld Exploration (SA) Pty Ltd, Orpheus Energy (Hong Kong) Limited and Orpheus Energy (China) Co Limited. The controlled subsidiaries are not consolidated because their combined influence on the Group's net assets, financial position and results of operations is not material. Their net sales are nil, they have no income and their net total equity amounts to 0.005% of total assets. These non-consolidated subsidiaries are measured at fair value or at cost when the fair value of unlisted equity instruments cannot be reliably measured and they are presented under the 'Financial assets, non-current' line item.

In preparing the consolidated financial statements all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their shares of changes in equity since that date.

c) Going concern basis

Notwithstanding the loss incurred during the current year amounting to $3,603,206 and incurred negative cash flows from operating activities amounting to $1,815,699, the directors believe that the company is a going concern based on:

- The company has $1,595,514 in cash at balance date;
- Coal trading and the sale of coal from the Company's Kalimantan operations has contributed $4.25 million in revenue in the current financial year with increased revenue budgeted in the next financial year;
- Based on the projected coal sales, the company would have sufficient cash reserves for at least 12 months from the date of this report.

The above revenue stream is expected to provide solid cash flows to support the ongoing development of the company's growing portfolio of projects. If the projected coal sales are not met, then the company may not be able to pay its debts as and when they become due and payable.

d) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement.

e) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

f) Income tax

The income tax for expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authorities.

Deferred income tax expense (Income) is charged or credited outside profit or loss when the tax relates to items that are recognized outside profit or loss.

Except for business combinations, no deferred income tax is recognized from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a 'legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Orpheus Energy Limited and its fully owned Australian subsidiary Orpheus Energy Group Pty Limited have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of mining stocks includes direct materials, direct labour, transportation costs to the stockpile.

h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and short terms deposits are stated at nominal value.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is received from bank balances held by the company. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the sale of coal is recognised once shipments have been made and title to goods has passed to the customer.

All revenue is stated net of the amount of goods and services tax.

j) Trade and other receivables

Trade receivables and other receivables, both of which generally have 30 day terms, are non-interest bearing and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. These receivables are classified as current assets.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

k) Trade and other payables

Trade payables and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

m) Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(n) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over the assets useful life from the time the asset is ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of fixed asset	Depreciation Rate per annum
Plant and Equipment	10% – 33%
Motor Vehicles	25 %
Computer Equipment	25% – 33%
Furniture and Equipment	10% – 33%
Leasehold improvements	Straight line over the balance of the lease term

The assets residual values and useful life are reviewed and adjusted if appropriate, at the end of each reporting period An assets recoverable amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

n) Impairment of assets

At each reporting date, the company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverables amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(p) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

(q) Equity-settled compensation

The company has provided benefits to employees (including key management personnel) in prior years the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions)

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each reporting date until vesting the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of equity instruments that will ultimately vest, taking into account such factors as the likelihood of employee turnover during the vesting period, and the likelihood of non-market performance conditions being met, and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided all other conditions are satisfied.

r) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

s) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

t) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

u) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss

Group companies

The financial results and position of foreign operations, Whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(v) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method.*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(w) Significant accounting judgements, estimates and assumptions

In applying the Company's accounting policies, management continually evaluates judgements, estimates and assumptions based on historical experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. The more significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Impairment of loans to, and investment in, subsidiaries

Where a subsidiary entity incurs a loss, the parent entity assesses the recoverability of any loans due from, or investments in, any subsidiary. Where required, the parent entity will then record an impairment loss against the value of its loans to, or investment in, the subsidiary.

(ii) Useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and management judgement. In addition, the condition of assets is assessed annually and considered in the context of remaining useful life, and adjustments to useful life are made where necessary.

(iii) Exploration and evaluation expenditure and impairment

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded, or where value of resources identified is estimated to exceed the carrying value of exploration expenditure.

Where as a result of changes in circumstances or events sufficient uncertainty arises as to the recoverability of capitalised exploration and evaluation costs, such costs will be impaired.

(x) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost; requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015.

In light of the change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may not have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: *Consolidated and Separate Financial Statements* (March 2008, as amended) and Interpretation 112: *Consolidation – Special Purpose Entities*. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 11 replaces AASB 131: *Interests in Joint Ventures* (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). This Standard is not expected to significantly impact the Group's financial statements.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities.

This Standard will affect disclosures only and is not expected to significantly impact the Group's financial statements.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group's financial statements.

AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

AASB 2011–4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: *Related Party Disclosures* to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent *Corporations Act 2001* disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
- AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

AASB 2012–2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012–2 principally amends AASB 7: *Financial Instruments:* Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* by the International Accounting Standards Board, including

- AASB 1: *First-time Adoption of Australian Accounting Standards* to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: *Presentation of Financial Statements* and AASB 134: *Interim Financial Reporting* to clarify the requirements for presenting comparative information;
- AASB 116: *Property, Plant and Equipment* to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: *Members' Shares in Co-operative Entities and Similar Instruments* to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group holds the following financial instruments by category:

	Consolidated	
	2013	2012
	$	$
Financial Assets		
Cash and cash equivalents	**1,595,514**	3,685,127
Trade and other receivables	**447,765**	1,543,864
Deposits	**5,239,395**	4,549,129
Security deposits	**84,090**	82,228
	7,366,764	9,860,348
Financial liabilities		
Trade and other payables	**160,346**	725,412
Convertible notes	**–**	2,200,000
	160,346	2,925,412

The Company monitors its exposure to key financial risks, principally market risk (including currency risk), interest risk, credit risk and liquidity risk, with the objective of achieving the company's financial targets whilst protecting future financial security.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts and regular internal reporting.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. It reviews and agrees policies for managing each of the risks, including the use of derivatives, hedging cover of interest rate exposure, credit allowances, and future cash flow forecast projections.

(a) Market Risk

Foreign exchange risk

Exchange Risk arises whereby currency exchange rates may affect the asset and liability and consolidation of companies within the group.

The company reports in Australian Dollars, however the operating currency of the Indonesian subsidiaries includes both Indonesian Rupiah and US Dollars. Exchange risk is reduced by dealing in US$ as far as practicable with relation to coal sales contracts. Exchange risk also arises as the investments held by the company in subsidiaries are held in Australian Dollars.

Analysis is undertaken by the company to assist in managing and reducing risks where practical arising from potential movements in foreign exchange rates.

At 30 June 2013 if exchange rates had increased/decreased by 500 basis points from the year end rates with all other variables held constant, the result would have increased/decreased by $90,152.

(b) Interest Risk

As the Group does not have any external debt and all its liabilities are non-interest bearing, the effect on profit and equity as a result of change in the interest rate, with all other variables remaining constant is not material.

Receivables are carried at amortised cost and are therefore not subject to interest rate risk as defined in AASB 7.

The Group's interest rate risk arises from cash equivalents with variable interest rates. The average interest rate applicable during the reporting period 2.1% (2012:4.50%).

Group sensitivity

At 30 June 2013 if interest rates had increased/decreased by 50 basis points from the year end rates with all other variables held constant, the result would not be material.

Based on movements in interest rates the company regularly reviews the deployment of funds and the exposure to interest rate risk in conjunction with currency and exchange rate risk in order to manage these risks in line with corporate objectives.

(c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from other third parties, investments, banks and financial institutions.

Investments, banks and financial institutions

The Group limits its exposure to credit risk by only limiting transactions with high credit quality financial institutions that have an external credit rating.

Trade and other receivables

With regard to the Company's coal trading activity, the Group does not have any material credit risk exposure to any single receivable or entity with receivables paid within 30 day terms.

(d) Liquidity Risk

The table below reflects all contractually fixed pay-offs and receivables for settlement from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2013. The amounts disclosed are undiscounted cash flows anticipated to eventuate in the next fiscal year.

Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2013.

	TOTAL	< 6 Mths	6–12 Mths	1–5 Yrs	> 5 Yrs
	$	$	$	$	$
2013					
Financial assets					
Cash and cash deposits	**1,595,514**	1,595,514	–	–	–
Trade and other receivables	**447,765**	447,765	–	–	–
	2,043,279	2,043,279	–	–	–
Financial Liabilities					
Trade and other payables	**160,346**	160,346	–	–	–
Net maturity	**160,346**	**160,346**	**–**	**–**	**–**
2012					
Financial assets					
Cash and cash deposits	**3,585,127**	3,585,127	–	–	–
Trade and other receivables	**1,543,864**	1,543,864	–	–	–
	5,128,991	5,128,991	–	–	–
Financial Liabilities					
Trade and other payables	**725,412**	725,412	–	–	–
Net maturity	**725,412**	**725,412**	**–**	**–**	**–**

The contractual maturities of the company's financial assets and liabilities set out in the table are equivalent to the maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values in the table reflects a balanced view of cash inflows and outflows.

(e) Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements, and unless specifically stated, carrying value approximates fair value for all financial instruments.

3. SEGMENT REPORTING

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

- Australia
- Indonesia

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	Total	Australia	Indonesia	Total
	$	$	$	$	$	$
	Financial year Ended 30 June 2013			Financial year Ended 30 June 2012		
Revenue:						
Total segment sales revenue	–	4,246,174	4,246,174	–	135,000	135,000
Inter-segment revenue	–	–	–	–	–	–
Total Revenue from external customers	**–**	**4,246,174**	**4,246,174**	**–**	**135,000**	**135,000**
Segment result	(2,251,595)	(1,351,611)	(3,603,206)	(7,449,770)	(373,871)	(7,823,641)
Income tax	–	–	–	–	–	–
Net Loss	**(2,251,595)**	**(1,351,611)**	**(3,603,206)**	**(7,449,770)**	**(373,871)**	**(7,823,641)**
Non-cash items included in loss above:						
Depreciation and amortisation	27,121	102,333	129,454	9,030	4,828	13,858
Bad debts written off	135,000	–	135,000			
Share based payments	–	–	–	241,315	–	241,315
Impairment of investment in Exploration Licences	356,342	–	356,342	2,721,155	–	2,721,155
Impairment of investment	–	–	–	100,000	–	100,000
Impairment of goodwill	–	–	–	2,179,363	–	2,179,363
Assets:						
Segment assets	26,788,625	3,500,407	30,289,032	25,716,869	4,748,226	30,465,095
Inter segment eliminations	(17,405,624)	(969,495)	(18,375,119)	(11,400,097)	(1,938,186)	(13,338,283)
	9,383,001	**2,530,912**	**11,913,913**	**14,316,772**	**2,810,040**	**17,126,812**
Liabilities:						
Segment liabilities	13,620,254	4,583,663	18,203,917	12,698,789	1,727,403	14,426,192
Inter segment eliminations	(13,434,108)	(4,548,740)	(17,982,848)	(10,312,954)	(1,170,107)	(11,483,061)
Total Liabilities	**186,146**	**34,923**	**221,069**	**2,385,835**	**557,296**	**2,943,131**

4. REVENUE

		Consolidated	
		2013	**2012**
	Note	$	$
Revenue and other income			
Sales of Coal[1]		**4,181,253**	–
Commissions received on coal sales contracts		**64,921**	135,000
		4,246,174	135,000
Other revenue			
Interest received		**35,661**	118,437
Unrealised foreign currency translation gains		**33,805**	–
Other revenue		**6,961**	198,483
		76,427	316,920
From discontinued operations			
Other revenue	27	**381,570**	–

1 Sales of coal includes sale of trading coal and all sales from the ADK coal mine in accordance with the agreement contracted with PT Mega Coal (the current owner of the ADK coal mine) prior to acquisition of PT Alam Duta Kalimantan.

Under the agreement with PT Mega Coal, PT Orpheus Energy is required to pay all costs generated from coal sales including royalty payments to PT Mega Coal and all assets and liabilities in relation to the mining and sale of coal from the ADK mine are brought into the book of PT Orpheus Energy.

5. EXPENSES

Finance costs – interest paid to other persons		**41,225**	132,091
Bad debts written off		**135,000**	–
Rental expense on operating leases		**158,022**	90,010
Impairment of investment in exploration licences		**356,342**	2,721,155
Depreciation		**54,828**	13,858
Amortisation of mine development costs		**74,626**	–
Realised foreign currency translation losses		**207,813**	381

6. INCOME TAX

(a) Numerical reconciliation between tax expense/(benefit) recognised in the statement of profit or loss and comprehensive income and pre-tax net loss

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	Consolidated	
	2013	**2012**
	$	$
(Loss) from continuing operations before income tax expense	**(4,070,691)**	(7,823,641)
Profit from discontinuing operations before income tax expense	**467,485**	–
	(3,603,206)	(7,823,641)
Prima facie tax/(benefit) payable on loss from ordinary activities before income tax at 30% (2012: 30%)	**(1,080,962)**	(2,347,092)
Add/(subtract) tax effect of:		
Non-deductible items	**42,552**	100,494
Share-based payments	**–**	72,395
Impairment of investment in exploration licenses	**104,812**	846,347
Impairment of goodwill	**–**	653,809
Non-taxable accounting profit on sale of controlled entities	**(142,894)**	–
Difference in overseas tax rates	**69,383**	25,444
Foreign exchange	**–**	10,480
Other deductible items	**(156,803)**	(123,887)
Movement in deferred tax assets not recognised in the financial statements	**1,163,912**	762,010
Income tax expense/(benefit)	**–**	**–**

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account are as follows:

- Tax losses: $2,576,195 (2012: $1,410,053)
- Temporary differences: $776,748 (2012: $66,553)

7. EARNINGS/(LOSS) PER SHARE

(a) Basic and diluted earnings per share

	Consolidated	
	2013	**2012**
	Cents per Share	Cents per Share
From continuing operations attributable to the ordinary equity holders of the company	**(2.78)**	(7.43)
From discontinued operations	**0.32**	–
Total basic earnings per share attributable to the ordinary equity holdes of the company	**(2.46)**	(7.43)

(b) Reconciliaton of earnings used in calculating earnings per share

	Consolidated	
	2013	2012
	$	$
Loss attributable to the ordinary holders of the company used in calculating basic earnings per share:		
From continuing operations	**(4,070,691)**	(7,823,641)
From discontinuing operations	**467,485**	–
	(3,603,206)	(7,823,641)

(c) Weighted average number of shares

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of basic and diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Consolidated	
	2013	2012
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**146,371,078**	105,349,233
Weighted average number of options outstanding	**–**	–
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	**146,371,078**	105,349,233

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

Options	**14,925,000**	16,544,049

8. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) Hall Chadwick Australia

	Consolidated	
	2013	**2012**
	$	$
Auditing or reviewing the financial reports	**50,750**	67,465
Total remuneration of Hall Chadwick Australia	**50,750**	**67,465**

(b) Component auditors

Auditing or reviewing the financial statements	**17,673**	18,573
Tax compliance services	**42,742**	–
Total remuneration of component auditors	**60,415**	**18,573**
Total auditor's remuneration	**111,165**	**86,038**

9. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Cash at bank and on hand	**1,595,514**	**3,585,127**

(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax

Net loss	**(3,603,206)**	(7,823,641)
Non cash flows in loss:		
Expenses		
Depreciation and amortisation expense	**54,828**	13,858
Net exchange differences	**174,009**	381
Share-based payments		241,315
Gain on disposal of subsidiaries	**(437,951)**	–
Accrued interest on convertible notes	**36,888**	–
Impairment of investment in exploration licences	**356,342**	2,721,155
Impairment of investment	**–**	100,000
Impairment of goodwill	**–**	2,179,363
Changes in assets and liabilities net of the effects of acquisitions of subsidiaries		
Decrease/(increase) in trade and other receivables	**1,002,305**	(269,683)
(Increase) in inventories	**(5,980)**	–
increase in trade and other payables	**564,063**	828,616
Increase in employee provisions	**43,004**	17,719
Net cash (used in) operating activities	**(1,815,699)**	**(1,990,917)**

(b) Disposal of entities

During the year the controlled entities PT Andhika Realtor ("PAR") and PT Berkah Bhumi Abadi ("BBA") were sold. Aggregate details of these transactions are:

	Consolidated
	2013
	$
Disposal price	**2,000,000**
Cash consideration	**2,000,000**
Assets and liabilities held at disposal date:	
Trade and other receivables	**93,794**
Exploration, evaluation and development expenditure	**3,271,176**
Goodwill	**135,837**
Trade and other payables	**(638,440)**
Non-controlling equity interests	**(1,313,163)**
	1,549,204
Net gain on disposal	**437,951**
Net cash received	**1,987,155**

10. TRADE AND OTHER RECEIVABLES

		Consolidated	
		2013	2012
		$	$
CURRENT			
Trade debtors		**109,812**	135,000
Sundry and other receivables		**–**	189,939
Prepayments		**146,076**	77,775
Staff and travel advances		**191,877**	26,718
Working capital advance to PT Alam Duta Kalimantan	(i)	**–**	403,865
Secured advance facility	(ii)	**–**	222,397
Amount owing by Joint Venture partner: Mega Coal		**–**	488,170
		447,765	**1,543,864**

(i) Working capital advances have been made to PT Alam Duta Kalimantan to fund both mining operations in preparation for the fulfilment of sales orders now in hand and to facilitate the purchase of local coal for on selling. The company holds as security, enforceable pledges over the issued capital of PT Alam Duta Kalimantan and is satisfied this security is adequate to support the recoverability of the carrying value.

(ii) Short term advances made to an unrelated party and secured over land in Banjarmasin, Indonesia. The value of the security held against these advances is considered adequate to support the recoverability of this advance.

11. DEPOSITS PAID

		Consolidated	
		2013	**2012**
		$	$
Deposit for acquisition of interests in :			
Papua concessions	(i)	**2,000,000**	2,000,000
B3 and B4 concessions	(ii)	**2,200,000**	2,200,000
PT Alam Duta Kalimantan (ADK mine)	(iii)	**820,575**	349,129
PT Citra Bara (CBP)	(iv)	**218,820**	–
		5,239,395	4,549,129

(i) The company has advanced deposits toward the acquisition of concessions in Papua while due diligence and site assessments are undertaken. These advances have been secured over the operating mine, ADK, operated by MCI owned PT Alam Duta Kalimantan and by various personal guarantees of the directors of Mega Coal. The company has undertaken due diligence and assessment of the operations of ADK to support the recoverability of the carrying value of the deposits.

(ii) Deposit payment for interests in the Kalimantan region concessions being Block 3 and Block 4. 8.8million convertible notes were issued by Orpheus to Coalworks Limited as consideration for the cash advanced for the acquisition of Block 3 and Block 4. Blocks 3 and 4 have been examined and were evaluated by PT Sumber Minerals Indonesia in July 2013 who provided an independent valuation which supports the carrying value of the deposits. The Directors have formed the opinion that at 30 June 2013 this valuation remains valid.

(iii) The company has entered an agreement to acquire a 51% interest in PT Alam Duta Kalimantan, which operates the ADK mine in South Kalimantan for a consideration of USD $1,000,000. Deposits of USD $750,000 (AUD $820,575) have been paid as at 30 June 2013. Based on recent coal production and sales and coal sales contracts in hand the company believes the acquisition price and deposits paid to date are recoverable. Post balance date this deposit was converted into 51% equity in this company effective from 1 July 2013 (refer Note 24 (a)).

(iv) The company has entered an agreement to acquire a 51% interest in PT Citra Bara, who held coal tenements in South Kalimantan, for a consideration of USD $200,000. A deposit of USD $200,000 (AUD $218,820) has been paid as at 30 June 2013. Based on estimated reserves the company believes the acquisition price and deposits paid to date are recoverable. Post balance date this deposit was converted into 51% equity in this company effective from 1 July 2013 (refer Note 24 (a)).

12. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

(a) Australian tenements

Acquisition	(i)	**6,646,500**	6,646,500
Exploration and development expenditure		**77,410**	58,201
Impairment charge	(ii)	**(3,077,497)**	(2,721,155)
		3,646,413	3,983,546

(b) Indonesian tenements

Fair Value upon acquisition	(iii)	**–**	3,076,703
Exploration and development expenditure		**676,697**	82,312
		676,697	3,159,015
Total exploration, evaluation and development expenditure		**4,323,110**	**7,142,561**

(i) The Hodgson Vale and Ashford Tenements were acquired from Coalworks Limited under agreements ratified by shareholders of the company on 30 November 2010. Consideration for these tenements was by way of the issue of Shares and Options upon relisting on ASX in August 2011.

(ii) The investment in the Hodgson Vale Tenement was impaired in the previous reporting period based on the possible relinquishment to the Queensland Government of 8 of the 17 blocks held as they fall within the 2 km exclusion zone of towns with over 2,000 residents. In view of current lower coal prices the Directors have resolved to further impair Hodgson Vale and Ashford investments by $356,342 at balance date.

(iii) Interests in the B2 and B6 concession in Indonesia were acquired pursuant to the 51% equity interests acquired in PT Pola Andhika Realtor and PT Berkah Bhumi Abadi. Orpheus equity into these two companies was sold effective on 30 June 2013 and de-consolidated in the Orpheus Group financials from that date.

13. PLANT AND EQUIPMENT

	Motor Vehicles	Furniture & Equipment	Computer Equipment	Plant and Equipment	Leasehold improve-ments	Total
	$	$	$	$	$	$
Year ended 30 June 2012						
Additions	36,697	4,006	25,952	11,766	6,862	86,283
Assets acquired with subsidiaries	-	2,909	10,984	1,321	–	15,214
Depreciation expenses	(2,356)	(1,017)	(6,206)	(1,645)	(2,812)	(14,036)
	35,341	5,898	30,730	11,442	4,050	87,461
At 30 June 2012						
Cost or fair value	37,697	7,110	42,410	15,137	6,862	109,216
Accumulated depreciation	(2,356)	(1,212)	(11,680)	(3,695)	(2,812)	(21,755)
Net book balance	35,341	5,898	30,730	11,442	4,050	87,461

	Motor Vehicles	Furniture & Equipment	Computer Equipment	Plant and Equipment	Leasehold improve-ments	Capital Works in Progress	Total
	$	$	$	$	$	$	$
Year ended 30 June 2013							
Opening net book value	35,341	5,898	30,730	11,442	4,050	–	87,461
Additions		31,572	7,588	85,669	3,864	58,633	187,326
Exchange differences	(1,912)	(33)	(130)	(430)	–	–	(2,505)
Depreciation expenses	(8,396)	(6,106)	(14,013)	(21,093)	(5,220)	–	(54,828)
Balance at 30 June 2013	25,033	31,331	24,175	75,588	2,694	58,633	217,454
At 30 June 2013							
Cost or fair value	36,405	38,649	49,868	100,376	10,726	58,633	294,657
Accumulated depreciation	(11,372)	(7,318)	(25,693)	(24,788)	(8,032)	–	(77,203)
Net book balance	25,033	31,331	24,175	75,588	2,694	58,633	217,454

14. SECURITY DEPOSITS

	Consolidated	
	2013	**2012**
	$	$
Security Deposits in regard to:		
Security bonds paid to Qld. Dept. Primary Industries on Tenements	**10,000**	10,000
Deposits for mine reclamation	**–**	72,228
Deposit on Sydney Head Office lease	**74,090**	–
	84,090	82,228

15. INTANGIBLE ASSETS

	Consolidated	
	2013	2012
	$	$
Goodwill:		
Balance at the beginning of the year	**135,837**	–
Acquisitions through business combinations		135,837
Disposal on sale of subsidiaries	**(135,837)**	–
	–	135,837

16. TRADE AND OTHER PAYABLES

CURRENT		
Trade payables	**130,407**	216,979
Sundry creditors	**–**	8,878
PAYG and related payroll liabilities	**5,606**	120,085
Accrued interest payable on convertible note	**–**	126,666
Amounts payable to Mega Coal entities	**–**	185,137
Accrued expenses	**24,333**	67,667
	160,346	725,412

17. EMPLOYEE PROVISIONS

Provision for employee leave entitlements	**60,723**	17,719

18. CONVERTIBLE NOTES

CURRENT		
Convertible notes	**–**	2,200,000
	–	2,200,000

On 21 September 2011, 8.8 million convertible notes were issued to Coalworks Limited as consideration for cash advanced for the acquisition of B3 and B4.

The notes were interest bearing at 9% pa with a maturity date of 31 December 2014.

The notes were considered current as they could be converted at any time at the option of the company.

Following shareholder approval on 24 September 2012 the $2.2m Orpheus Energy Limited convertible notes held by Coalworks Limited together with the accumulated interest were converted into 18,181,080 Ordinary fully paid shares in Orpheus.

19. ISSUED CAPITAL

(a) Share capital

	2013	2012	2013	2012
	Shares	Shares	$	$
Ordinary shares fully paid	**150,256,271**	132,075,191	**30,695,699**	28,332,145

(b) Movements in ordinary share capital

		No of shares	Issue Price	$
1 July '11	Balance	15,347,993	–	8,383,694
	Issued under the Public Offering	30,000,000	**$0.25**	7,500,000
	Issued in consideration for the Acquisition of the Hodgson Vale and Ashford projects	25,000,000	**$0.25**	6,250,000
	Issued upon conversion of convertible notes	34,500,000	**$0.10**	3,450,000
	Issued in settlement of the Equity loan from Coalworks Limited	10,000,000	**$0.10**	1,000,000
7 June '12	Share placement	17,227,198	**$0.13**	2,239,536
	Less capital raising costs	–	–	(491,085)
30 June '12	Balance	132,075,191	–	28,332,145
	Issued upon conversion of convertible notes	18,181,080	**$0.13**	2,363,554
30 June '13	**Balance***	**150,256,271**		**30,695,699**

*19,780,352 shares under escrow until 17 August 2013

(c) Options

Information relating to options issued, exercised and lapsed during the financial year and option outstanding at the end of the reporting period is set out in Note 21.

(d) Capital management

The Group and the parent entity's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group and the parent entity continually monitor capital on the basis of budgeted expenditure.

The Group had no long-term debt at balance date and depends on capital raising to fund capital and operating expenditure.

20. RESERVES

(a) Other Reserves

	Consolidated	
	2013	2012
	$	$
Share-based payments reserve	**726,500**	733,815
Foreign currency translation reserve	**457,741**	(40,082)
	1,184,241	693,733

(b) Movements

	Consolidated	
	2013	2012
	$	$
Share-based payments reserve		
Balance at beginning of financial year	**733,815**	979,952
Transfer to accumulated losses	**(7,315)**	(979,952)
Share-based payments	**–**	733,815
Balance at end of financial year	**726,500**	733,815
Foreign exchange translation reserve		
Balance at beginning of financial year	**(40,082)**	–
Exchange difference on disposal of discontinued operation	**21,079**	–
Currency translation differences arising during the year	**476,744**	(40,082)
Balance at end of financial year	**457,741**	(40,082)

(c) Nature and purpose of reserves

(i) Foreign exchange translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

(ii) Share-based payment reserve

The share base payment reserve represents the value of options and shares issued to employees and shareholders. This reserve will be reversed against share capital when the options are converted into shares by the employee.

21. SHARE-BASED PAYMENTS

(a) Set out below are summaries of options granted

Grant Date	Expiry Date	Exercise Price	Balance at start of the year *Number*	Granted during the year *Number*	Exercised during the year *Number*	Lapsed during the year *Number*	Balance at end of the year *Number*	Vested and exercisable at end of the year *Number*
2013								
30 Nov '10	30 Sep '14	$0.20	12,750,000	–	–	–	12,750,000	12,750,000
08 Aug '11	04 Aug '14	$0.25	1,000,000	–	–	–	1,000,000	1,000,000
17 Aug '11	30 Sep '14	$0.20	1,175,000	–	–	–	1,175,000	1,175,000
08 Sep '07	08 Sep '12	$2.63	1,619,049	–	–	(1,619,049)	–	–
			16,544,049	–	–	(1,619,049)	14.925,000	14.925,000
Weighted average exercise price			*$0.44*	–	–	*$2.63*	*$0.20*	*$0.20*
2012								
30 Nov '10	30 Sep '14	$0.20	12,750,000	–	–	–	12,750,000	12,750,000
08 Aug '11	04 Aug '14	$0.25	–	1,000,000	–	–	1,000,000	1,000,000
17Aug '11	30 Sep '14	$0.20	–	1,175,000	–	–	1,175,000	1,175,000
08 Sep '07	08 Sep '12	$2.63	1,619,049	–	–	–	1,619,049	1,619,049
15 Dec '06	15 Dec '11	$2.63	47,617	–	–	(47,617)	–	–
4 Aug '11	4 Aug '14	$0.25	2,293,750	–	–	(2,293,750)	–	–
08 Aug '11	31 Dec '11	$0.20	–	588,734	–	(588,734)	–	–
08 Aug '11	31 Dec '11	$0.20	–	12,500,000	–	(12,500,000)	–	–
08 Aug '11	31 Dec '11	$0.20	–	17,250,000	–	(17,250,000)	–	–
08 Aug '11	31 Dec '11	$0.20	–	5,000,000	–	(5,000,000)	–	–
			16,710,416	37,513,734	–	(34,680,101)	16,544,049	16,544,049
Weighted average exercise price			*$0.45*	*$0.27*	–	*$0.20*	*$0.44*	*$0.44*

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.24 years (2012:2.24 years).

Options granted carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

22. COMMITMENTS

(a) Capital commitments

	Consolidated	
	2013	2012
	$	$
Balance due for acquisition of 51% interest in ADK*	**273,525**	634,621

* Acquisition of a 51% interest in (ADK) PT Alam Duta Kalimantan for USD $1 million (Total paid at balance date was USD $750,000). The amount outstanding at balance date based on an exchange rate at that time of $1AUD = $1.0941USD

(b) Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

• Within one year	**107,157**	40,976
• Later than one year but not later than five years	**168,258**	–
	275,415	40,976

c) Exploration commitments

Minimum expenditure commitments for mining tenements:

• Within one year	**507,000**	244,000

Under the terms of the granting of the various exploration licences certain expenditure or diligent efforts are required to be demonstrated periodically to the relevant government authorities. At 30 June 2013 the Company was endeavouring to make up expenditure shortfalls on the Australian tenements. Expenditure shortfalls are expected to be made up in the following period and no penalties have or are expected to be incurred.

23. CONTINGENT LIABILITIES

The Group had no known contingencies at 30 June 2013.

24. AFTER BALANCE DATE EVENTS

(a) Acquisition of PT Alum Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP)

Orpheus previously announced that it has paid deposits to PT Mega Coal to acquire a 51% interest in two South Kalimantan tenements. On 1 July 2013 Orpheus converted these deposits to PT Mega Coal of US$1 million for a 51% interest in PT Alum Duta Kalimantan ("ADK") and USD$200,000 for a 51% interest in PT Citra Bara Prima ("CBP"). The equity shares in these two companies are held by a nominee on behalf of Orpheus's Indonesian fully owned subsidiary PT Orpheus Energy Indonesia ("PTO").

These acquisitions will increase the Group's coal resources and potential income from the sale of coal.

The financial effects of these transactions have not been brought to account at 30 June 2013. The operating results and assets and liabilities of these companies will be consolidated from 1 July 2013.

Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the acquisition accounting for the acquisition of ADK and CBP. In particular the fair values of the assets and liabilities have not been finalised. It is also not yet possible to provide detailed information about each class of acquired assets and liabilities of the acquired entities.

(b) Shares released from escrow

On 2 August 2013 19,780,352 ordinary shares were released from escrow and will be listed on the ASX as from 18 August 2013. On the same date 1 million options over ordinary shares exercisable at $0.25 and expiring on 4 August 2014 and 12.75 million options over ordinary shares exercisable at $0.20 and expiring on 30 September 2014 were released from escrow. These options are unlisted.

(c) Share top-up facility

On the 20 August 2013 Orpheus initiated a facility designed to allow shareholders with holdings of less than A$500 to sell their shares in the Company. In addition shareholders with shareholding of less than $500 have been given the opportunity to top up their shareholding by earth $500 or $1,000.

(d) Singapore Holding Company

On 22 August 2013, Orpheus Energy Singapore Pte. Ltd, was registered in Singapore to hold the assets of the Group's Indonesian assets. The company is a fully owned subsidiary of Orpheus Energy Limited.

(e) Agreement with SKJM Port operators in South Kalimantan

On 17 September 2013 Orpheus executed a binding agreement with the proprietor of SKJM Port in South Kalimantan to secure exclusive barge loading capacity in excess of 200,000 tonnes per month for a term of 10 years.

Orpheus has executed a commercial-in-confidence, binding agreement with a local Indonesian infrastructure investor to fund the transaction. PT Orpheus Energy ("PTO"), Orpheus's 100% owned Indonesian subsidiary, has already received the first tranche (of two tranches) payment and the funds are to be deployed progressively over the course of the next several months as the SKJM facilities are upgraded. SKJM Port is legally obliged to repay the principal amount to PTO in equal monthly installments, which will be passed through to the funder, together with a commercial rate of interest on the reducing balance. Critically, this means Orpheus has completely mitigated funding risk and quantum to the level of a reducing, monthly interest payment.

25. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent entity

The parent entity within the Group is Orpheus Energy Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 28.

(c) Joint ventures

Under a Strategic Alliance Agreement, the company has entered co-operation, Joint Venture, entity acquisition, funding, profit share and related agreements with the Indonesian company Mega Coal and related parties. Prior to entering agreements the company undertook an assessment and engaged where considered appropriate, external experts to assist in the companies due diligence reviews. Significant agreements entered into are summarised below:

- Agreements have been entered into to acquire Interests in the entities owning the concessions known as B3/B4 in Kalimantan and in Papua concessions. These entities are related parties of Mega Coal. Deposits have been paid in relation to these agreements as disclosed in Note 11.
- Agreements have also been entered into to acquire from the existing shareholders, a 51% interest in PT Alam Duta Kalimantan which owns the mining concessions known as ADK and in PT Citra Bara. The existing shareholders in these entities are related parties to Mega Coal. Subsequent to 30 June 2013 the deposits paid in relation to these entities have been converted to equity holdings by Orpheus.

(d) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

Disclosures in relation to key management personnel are set out in Note 29 and on pages 18 to 28 of the Directors' Report.

(e) Loans to/from related parties

- Convertible notes issued to Coalworks Limited, a major shareholder in Orpheus.

  Convertible notes of $2.2 million issued to Coalworks Limited, a major shareholder in Orpheus Energy Limited, in September 2011 were repaid together with interest accrued following shareholder approval on 24 September 2012 with 18,181,080 Ordinary fully paid shares in Orpheus Energy Limited. Interest accrued on the convertible notes in the previous financial year was $163,553.

- Loan to PT Mega Coal Indomine Joint Venture partner.

  In April 2013, Orpheus and PT Mega Coal Indomine (MCI) negotiated an arrangement whereby MCI granted Orpheus exclusivity to acquire a mining business licence in Tamiang Layang in Central Kalimantan (IUP), In consideration for this exclusivity, Orpheus agreed to loan Mega AUD$1.5 million (Loan Amount) pursuant to the terms of a secured loan agreement (Loan Agreement) entered into on 5 April 2013. The loan was interest free with the security for the loan a first ranking fixed charge in favour of Orpheus over the shares in a number of entities held by MCI.

  The Loan Amount was used by MCI to pay the deposit for the acquisition of the IUP and was to be repayable on 26 April 2013.

  Following further negotiation between the parties, it was agreed that the exclusivity period would be extended until 31 May 2013 to allow Orpheus further time to determine whether it would proceed with the acquisition of the IUP.

  As a consequence, the parties have entered into an Amendment and Restatement Deed amending the terms of the Loan Agreement to roll over the secured Loan Amount to 31 May 2013. The loan has now been repaid.

  Mr Rhodes is also a Director of PT Mega Coal Indomine (MCI).

26. BUSINESS COMBINATIONS

Acquisition of additional interest in subsidiary

On 31 December 2012, the company acquired the remaining 50% of the issued shares of PT Orpheus Energy ("PTO") for a purchase consideration of $481,325. The group now holds 100% of the equity of PTO. The carrying amount of the non-controlling interests in PTO on the date of acquisition was $207,124. The group de-recognised non-controlling interests of $237,715 at 31 December 2012 and recorded a decrease in equity attributable to owners of the parent of $243,610.

The effect of changes in the ownership interest of PTO on the equity attributable to owners of the company during the year is summarised as follows:

	2013
	$
Carrying amount of non-controlling interests acquired	**237,715**
Consideration paid to non-controlling interests	**(481,325)**
Excess of consideration paid recognised in parent's equity	**(243,610)**

27. DISCONTINUED OPERATIONS

On 31 January 2013, the Group announced its decision to dispose of the equity in 51% owned subsidiaries PT Andhika Realtor ("PAR") and PT Berkah Bhumi Abadi ("BBA"). These entities sold on 30 June 2013 and are disclosed in these financial statements as discontinued operations.

(a) Financial performance and cash flow information

	2013
	$
Revenue	381,570
Expenses	(352,036)
Profit before income tax	29,534
Income tax expense	–
Profit after income tax of discontinued operation	29,534
Gain on sale of discontinued operations before income tax	437,951
Income tax	–
Gain on sale of sale of the discontinued operations	437,951
Profit from discontinued operations	**467,485**

The net cash flows of the discontinued operations, which have been incorporated into the statement cash flows, are as follows:

Net cash (outflow) from operating activities	**(37,718)**
Net cash (outflow) from investing activities	**36,523**
Net cash (outflow) from financing activities	**–**
Net decrease in cash (used) by the PAR and BAA	**(1,195)**

(b) Details of the sale of the discontinued operations

Consideration received in cash	**2,000,000**
Carrying amount of net assets sold	**(1,562,049)**
Gain on sale before income tax	437,951
Income tax expense	–
Gain on sale after income tax	437,951

Gain on disposal of these entities is included in gain from discontinued operations per the statement of comprehensive income.

28. CONTROLLED ENTITIES

(a) Controlled entities consolidated

The following are Subsidiaries of the group, are controlled entities and have been consolidated at 30 June 2013 with the exception of Orpheus Energy Singapore Pte. Ltd., which was formed after balance date on 22 August 2013.

Entity Name		Country of incorporation or formation	Equity interest* 2013	Equity interest* 2012
Orpheus Energy Group Pty Ltd		Australia	**100%**	100%
Orpheus Energy (Ashford) Pty Ltd as trustee for:		Australia	**100%**	100%
Ashford Unit Trust		Australia	**100%**	100%
Orpheus Energy (Hodgson Vale) Pty Ltd as trustee for:		Australia	**100%**	100%
Hodgson Vale Unit Trust		Australia	**100%**	100%
Orpheus Energy (Wingen) Pty Ltd as trustee for:		Australia	**100%**	100%
Wingen Unit Trust		Australia	**100%**	100%
Orpheus Energy (Hong Kong) Limited	(i)	Hong Kong	**50%**	50%
PT Orpheus Energy		Indonesia	**100%**	50%
Orpheus Energy (China) Co Limited	(i), (ii)	China	**100%**	–
Bushveld Exploration (SA) (Pty) Ltd	(i)	South Africa	**100%**	100%
PT Andhika Realtor		Indonesia	**–**	51%
PT Berkah Bhumi Abadi		Indonesia	**–**	51%

* Percentage of voting power is in proportion to ownership

(i) Controlled entities are not consolidated because the total assets of these companies as of 30 June 2012 and 30 June 2013 are not material.

(ii) This entity was incorporated on 13 January 2013.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel compensation

	2013 $	2012 $
Short-term employee benefits	**802,439**	766,360
Post-employment benefits	**61,027**	56,003
Share-based payments	**–**	11,475
	863,466	833,838

Detailed remuneration disclosures are provided in the remuneration report on pages 24 to 28.

(b) Equity instrument disclosures relating to Key Management Personnel compensation

Option Holdings

Details of options granted as remuneration, together with their terms and conditions are disclosed in the remuneration report on pages 24 to 28.

The number of options over ordinary shares in the company granted as remuneration that were held during the financial year by each Director of Orpheus Energy Limited and other key management personnel of the Group including their personally related parties are set out below.

	Balance at start of the year	Held at date of appointment / resignation	Granted as compen-sation	Expired	Balance at end of the year	Vested and exerciseable	Vested and Not Exercisable (under escrow per ASX)*
2013							
Directors							
Wayne Mitchell	3,000,000	–	–	–	3,000,000	–	3,000,000
David Smith	1,500,000	–	–	–	1,500,000	500,000	1,000,000
Wesley Harder	1,500,000	–	–	–	1,500,000	–	1,500,000
Anthony King	1,000,000	–	–	–	1,000,000	–	1,000,000
Michael Rhodes[1]	–	–	–	–	–	–	–
Other Key Management Personnel							
C Hagan (Senior Advisor)	2,750,000	(2,750,000)	–	–	–	–	–
N Bartrop (Co Sec)[2]	250,000	(250,000)	–	–	–	–	–
D Oastler (CFO)[3]	250,000	(250,000)	–	–	–	–	–
Total	10,250,000	(3,250,000)	–	–	7,000,000	500,000	6,500,000

* Released from escrow on 17 August 2013
1 Appointed 1 October 2012
2 Resigned 16 July 2012
3 Resigned 15 December 2012

	Balance at start of the year	Held at date of appointment / resignation	Granted as compen-sation	Expired	Balance at end of the year	Vested and exerciseable	Vested and Not Exercisable (under escrow per ASX)*
2012							
Directors							
Wayne Mitchell	3,000,000	–	–	–	3,000,000	–	3,000,000
David Smith	–	1,250,000	500,000	(250,000)	1,500,000	500,000	1,000,000
Wesley Harder	1,500,000	–	–	–	1,500,000	–	1,500,000
Anthony King	1,000,000	–	–	–	1,000,000	–	1,000,000
Other Key Management Personnel							
C Hagan (Senior Advisor)	2,750,000	–	–	–	2,750,000	–	2,750,000
N Bartrop (Co Sec)	–	–	250,000	–	250,000	250,000	–
D Oastler (CFO)	–	–	250,000	–	250,000	250,000	–
Total	8,250,000	1,250,000	1,000,000	(250,000)	10,250,000	1,000,000	9,250,000

Share holdings

The number of ordinary shares in the Company held during the financial year by each Director of Orpheus Energy Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

	Balance at start of year	Held at date of appointment or resignation	Purchased on market	Balance held at end of the year
2013				
Directors				
Wayne Mitchell	1,516,828	–	2,733,705	4,250,533
David Smith	8,341,000	–	11,826,150	20,167,150
Wesley Harder	763,341	–	814,727	1,578,068
Anthony King	327,242	–	–	327,242
Michael Rhodes[1]	–	–	70,000	70,000
Other Key Management Personnel				
C Hagan (Senior Advisor)	961,109	(961,109)	–	–
N Bartrop (Co Sec)[2]	80,000	(80,000)	–	–
D Oastler (CFO)[3]	514,250	(514,250)	–	–
Total	**12,503,770**	**(1,555,359)**	**15,444,582**	**26,392,993**

1 Appointed 1 October 2012
2 Resigned 16 July 2012
3 Resigned 15 December 2012

	Balance at start of year	Held at date of appointment or resignation	Purchased on market	Balance held at end of the year
2012				
Directors				
Wayne Mitchell	302,242	–	1,214,586	1,516,828
David Smith[1]	–	1,116,000	7,225,000	8,341,000
Wesley Harder	302,242	–	461,099	763,341
Anthony King	302,242	–	25,000	327,242
Other Key Management Personnel				
C Hagan (Senior Advisor)	–	–	961,109	961,109
N Bartrop (Co Sec)	–	–	80,000	80,000
D Oastler (CFO)	–	–	514,250	514,250
Total	**906,726**	**1,116,000**	**10,481,044**	**12,503,770**

1 Appointed 18 August 2011

(c) Other KMP transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For detail of other transactions with KMP's (including loans), refer to Note 25: Related Party Transactions.

30. PARENT ENTITY INFORMATION

(a) Summary financial information

	Parent entity	
	2013	2012
	$	$
Statement of profit or loss and other comprehensive income		
Loss for the year	**1,359,543**	6,113,878
Other comprehensive income	**–**	–
Total comprehensive loss for the year	**1,359,543**	**6,113,878**
Statement of financial position of the parent entity at year end		
Current assets	**164,858**	14,277,138
Non-current assets	**17,957,165**	4,442,248
Total assets	**18,122,023**	**18,719,386**
Current liabilities	**71,480**	2,321,088
Non-current liabilities	**648,234**	–
Total liabilities	**719,714**	**2,321,088**
Issued capital	**30,695,699**	28,428,145
Share-based payments reserve	**726,500**	637,816
Accumulated losses	**(14,019,890)**	(12,667,663)
Total equity	**17,402,309**	**16,398,298**

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees at the 30 June 2013.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at the 30 June 2013, the parent entity has made no contractual commitments for the acquisition of plant or equipment.

31. CORPORATE INFORMATION

Registered office and principal places of business

Level 12
179 Elizabeth Street
Sydney NSW 2000
Australia

T +61 2 8281 8200
F +61 2 9264 9530

Menara Anugrah Lt. 27
Kantor Taman E.3.3. Lot 8-6-8.7
Kawasan Mega Kuningan
Jakarta 12950
Indonesia

T +62 21 579 48860
T +62 21 579 48861

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 17 September 2013.

(a) Distribution of equity securities

150,256,271 fully paid ordinary shares are held by 1,998 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding, in each class are:

Holdings Ranges	Holders	Total Units	%
1–1,000	946	310,466	0.207
1,001–5,000	153	329,351	0.219
5,001–10,000	195	1,626,982	1.083
10,001–100,000	551	17,572,196	11.695
100,001–99,999,999,999	153	130,417,276	86.796
Totals	**1,998**	**150,256,271**	**100.000**
Holding less than a marketable parcel	1,341		

(b) Substantial shareholders

Name	Number	Percentage
DAVID EDWARD SMITH	21,475,466	14.293
COALWORKS LIMITED	15,606,026	10.386
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	13,089,723	8.712
MR PAUL DANA FILLION	9,043,906	6.019

(c) Twenty largest holders of quoted equity securities

	Fully Paid	
Ordinary Shareholders	Number	Percentage
MR DAVID EDWARD SMITH	21,475,466	14.293
COALWORKS LIMITED	15,606,026	10.386
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	13,089,723	8.712
MR PAUL DANA FILLION	9,043,906	6.019
MR WAYNE DOUGLAS MITCHELL	4,671,750	3.109
HAWTHORN GROVE INVESTMENTS PTY LTD	3,996,018	2.659
RODBY HOLDINGS PTY LIMITED <SIN PYNG TENG SUPER FUND A/C>	3,400,525	2.263
ISMENE PTY LTD	3,326,400	2.214
BARSINGTON LIMITED	3,317,571	2.208
MR TREVOR JAMES PORTER	2,935,705	1.954
BESTVALE RESOURCE CONSULTANTS PTY LTD	2,904,247	1.933
AUSTRALIAN FEATHER MILLS PTY LTD	2,600,000	1.730
CENTRE CAPITAL (NEWCASTLE) PTY LTD <CNTR CAP NEWCASTLE UNIT A/C>	2,500,000	1.664
MR GAK SAN SEAH	1,774,925	1.181
SEPT ROUGES LIMITED	1,750,000	1.165
MR WESLEY HARDER	1,631,243	1.086
GARF PTY LIMITED <GAR NATIONAL PRIVATE S/F A/C>	1,570,269	1.045
MS YUJUAN WU	1,300,000	0.865
MR MARK GREGORY KERR & MRS LINDA MARIE KERR <LINDMARK INV STAFF S/F A/C>	1,240,173	0.825
MR ROBERT MACKENZIE COOMBES	1,189,455	0.792
TOTAL TOP TWENTY	99,323,402	66.103

d) Unquoted Securities

Unquoted Securities	Number of Holders	Number of Securities on Issue	Holders Holding more than 20% of each class	Number Held
Options Exercisable at 20 cents on or before 30 September 2014	8	12,750,000	N/A	N/A
Options Exercisable at 20 cents on or before 30 September 2014	7	1,175,000	N/A	N/A
Options Exercisable at 25 cents on or before 4 August 2014	1	1,000,000	BBY Limited	1,000,000

e) Securities subject to escrow

Securities subject to escrow	Number of Securities on Issue	Holders Holding more than 20% of each class
Options Exercisable at 25 cents on or before 4 August 2014	1,000,000	restricted until 17 August 2013
Options Exercisable at 20 cents on or before 30 September 2014	12,750,000	restricted until 17 August 2013

Other information

There is no current on-market buyback of the Company's securities.

The Company has used the cash and assets readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.


KOMATSU
04
01