

Quarterly Report

Activities Report for the Quarter ended
31 December 2013



ORPHEUS
ENERGY

HIGHLIGHTS

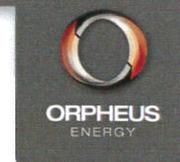
- Orpheus achieved the milestone of becoming operationally cash-flow positive in the month of December.
- Orpheus's saleable coal volume was 51,410 tonnes for the December quarter.
- Improvements in SKJM Port loading efficiency continued – 5000 tonne barges now able to be loaded daily.
- Net margin increase on sales due to renegotiated infrastructure and contracting rates, and the continuing appreciation of the USD against the AUD.
- Post reporting date, mine plan for the commencement of mining in new area of ADK tenement being finalised.

Coal Production/Sales

Thousands of Tonnes	Quarter Ended			YTD		
	Dec-13	Dec-12	Change	Dec-13	Dec-12	Change
Coal Production	29,767	44,025		29,767	44,025	
Coal Trading	21,643	0		21,643	0	
Total Coal Sales	51,410	44,025	16.77%	51,410	44,025	16.77%

As announced on 20 December 2013, Orpheus generated more sales income than outgoings for the month of December. The company mined ~30,000 tonnes from its Kintap ADK mine, following normal mining and trucking activities resuming normal operations on 21 November 2013, after heavy unseasonal rains earlier in the quarter. Additionally, the company's trading division sold ~22,000 tonnes of coal from small local producers. As at 31 December, there was ~3,579 tonnes remaining at the SKJM Port stockpile, which has subsequently been sold.

An Indonesian trading group purchased all of the saleable coal in December, and under an agreement with Orpheus, has committed to ongoing purchases of all available Orpheus coal over the next 12 months. Superior net margins were achieved from Orpheus's own coal mined at ADK and, as previously announced, the monthly rate of production is anticipated to increase to 50,000+ tonnes over the course of 2014. Trading coal volumes will also increase in 2014 with additional arrangements with other local producers already secured by Orpheus.



Orpheus achieved an average sale price in line with the benchmark Indonesian Coal Index (ICI) price for the sales of its 4200GAR thermal coal in the December quarter and the price for this coal is expected to be approximately the same for the March quarter.

During the December quarter, the ICI averaged US\$39.25/t, which was a 5.7% decrease from the previous quarter. Despite the drop in coal price, Orpheus was able to offset this with a corresponding 1.34% increase in the value of the US dollar against the Australian dollar, and a ~10% reduction in contracting rates at its ADK mine over the same period.

Post reporting date, Orpheus's ADK production has been reduced due to further poor weather in early January and a boundary clarification process with neighbouring large coal miner, PT Arutmin, over the precise boundary location. While that issue is being resolved, Orpheus has been finalising a new mine plan to commence mining activities in a new area of the ADK tenement imminently, to increase the monthly rate of production over the next few months, making up for the lost tonnage in January.

Infrastructure

On 10 October, Orpheus announced it had secured additional infrastructure capacity at Abidin 1 Port in South Kalimantan, of 40,000 tonnes per month (480,000 tpa), together with a five year offtake agreement. Located approximately 30km north-east of SKJM Port, Abidin 1 Port currently has loading capacity of over 120,000 tonnes per month, so there is potential for Orpheus to increase its monthly tonnage throughput.

Together with the previously announced exclusive 10 year agreement with SKJM Port in providing Orpheus with barge loading capacity in excess of 200,000 tonnes per month, the company has secured overall port loading capacity of up to 250,000 tonnes per month (3,000,000 tonnes per year) in South Kalimantan.

As part of the development plans for SKJM Port, there is the potential to increase the loading capacity up to a total of 500,000 tonnes per month (6 Mtpa) through the construction of two additional loading slots, and a road underpass to provide enhanced road hauling efficiency.

Exploration

As Orpheus has been focused on generating cash-flow from its mining, infrastructure and trading activities, as well as controlling costs, minimal exploration work at the company's South and East Kalimantan and Papua projects was undertaken in the quarter.

Disclaimer – Forward looking statements

This release may contain forward-looking statements. These statements are based upon management's current expectations, estimates, projections and beliefs in regards to future events in respect to Orpheus's business, the industry in which it operates. These forward looking statements are provided as a general guide and should not be relied upon as an indication or guarantee of future performance. The bases for these statements are subjected to risk and uncertainties that might be out of control of Orpheus Energy Limited and may cause actual results to differ from the release. Orpheus Energy Limited takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ORPHEUS ENERGY LIMITED

ABN

67 121 257 412

Quarter ended ("current quarter")

DECEMBER 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1,068	1,105
1.2 Payments for		
(a) exploration and evaluation	(5)	(48)
(b) development	(23)	(650)
(c) production	(872)	(872)
(d) administration	(474)	(1,044)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	3	6
1.5 Interest and other costs of finance paid	(124)	(124)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
-		-
Net Operating Cash Flows +	(427)	(1,627)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects		
(b)equity investments	(1,313)	(1,313)
(c) other fixed assets	(3)	(3)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans/advances to other entities	-	-
1.11 Loans repaid by other entities including working capital advances	-	-
1.12 Other (provide details if material)	-	-
Deposits applied for purchase of equity investments	1,313	1,313
Deposits paid re mining operations	(300)	(348)
Net investing cash flows	(303)	(351)
1.13 Total operating and investing cash flows (carried forward)		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(730)	(1,978)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. Net of brokerage	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	332	1,405
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other -	-	-
	Net financing cash flows	332	1,405
	Net increase (decrease) in cash held	(398)	(572)
1.20	Cash at beginning of quarter/year to date	1,629	1,596
	Cash acquired on acquisition of subsidiaries	4	4
1.21	Exchange rate adjustments to item 1.20	(237)	(30)
1.22	Cash at end of quarter	998	998

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.2	Aggregate amount of payments to the parties included in item 1.2	40
1.2	Aggregate amount of loans to the parties included in item 1.10	-

1.2 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities (to finance port infrastructure and for working capital)	1,405	1,405
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	164
4.3 Production +	2,566
4.4 Administration	614
Total	3,344

+ Estimated sales revenue for next quarter \$2.825 million

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	992	1,195
5.2 Deposits at call	6	434
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	998	1,629

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-		
6.2	Interests in mining tenements acquired or increased	-		

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter				
(a) Increases through issues	-			
(b) Decreases through returns of capital, buy-backs, redemptions	-			
7.3 +Ordinary securities	150,256,271	150,256,271		<i>Fully Paid</i>
7.4 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	-			
7.6 Changes during quarter				
(a) Increases through issues	-			
(b) Decreases through securities matured, converted	-			
7.7 Options <i>(description and conversion factor)</i>				
	Options	Quoted	Exercise price	Expiry date
Unquoted	13,925,000	-	\$0.20	30/09/2014
Unquoted	1,000,000	-	\$0.25	04/08/2014
Unquoted	10,189,458	-	\$0.0607	30/6/2017
Total Options	25,114,458	-	-	-
7.8 Issued during quarter				
Unquoted	9,219,458	-	\$0.0607	30/6/2017
Unquoted	970,000	-	\$0.0607	30/6/2017
7.9 Exercised during quarter	-		-	-
7.10 Expired during quarter				
	Options	Quoted	Exercise price	Expiry date
	-	-	-	-
Total Options	25,114,458	-	-	-
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: 31 January 2014

(Company Secretary)

Print name: John Stone

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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