



ORPHEUS
ENERGY

Orpheus Energy Limited

And Controlled Entities

ABN 67 121 257 412

**HALF-YEAR REPORT
AND
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

Orpheus Energy Limited

ABN 67 121 257 412
and controlled entities



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Orpheus Energy Limited

ABN 67 121 257 412
and controlled entities



Directors' Report

The directors present their report with the consolidated financial report of Orpheus Energy Limited ("the Company") for the half year ended 31 December 2014 and the auditor's review report thereon.

Directors

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

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

Mr David Smith, Company Secretary

Review of Operating Activities

- Recover outstanding money owed to Orpheus by Mr Nugroho Suksmanto and PT Mega Coal

In accordance with the Chairman's Address at the 2014 AGM, Orpheus is currently undertaking a process of recalibration. This includes:

- Recapitalising Orpheus through the recovery of an outstanding debt to Orpheus of ~US\$7.2m
- Identifying and transacting on appropriate value adding projects to successfully grow Orpheus, subject to shareholder approval.

Operating Results

The net loss of the consolidated entity for the half year was \$9,784,156 (2013: corresponding period a loss of \$2,569,282).

This loss includes Receivables owing from the sale of assets of \$9,271,957, which have been impaired as the amount is past due. The Directors believe these receivables are recoverable and with their payment, the provision will be reversed.

Dividends

No dividends were paid during the period and no recommendation is made as to payment of dividends.

Partially Underwritten Non-Renounceable Rights Issue

On 21 November 2014, Orpheus announced a partially underwritten, non-renounceable, 1 for 3 rights issue to raise approximately A\$1,120,000. Under the Rights Issue Prospectus, OEG Directors committed to taking up their full Entitlement under the Offer and also agreed to partially underwrite the Offer up to a further \$181,871, or approximately 9,093,548 New Shares. This equated to a maximum take-up by Directors of 25,000,000 New Shares, raising A\$500,000.

A Supplementary Prospectus extending the issue closing date to 12 February 2015 was subsequently announced to the market on 16 December 2014.

The capital raised from the Rights Offer was to be directed towards extinguishing an Orpheus debt relating to its coal business, working capital (which includes funds required to recover ~US\$7,234,147 owed to Orpheus by Mr Nugroho Suksmanto and PT Mega Coal) and to pay the costs of the Rights Offer. The Rights issue raised \$254,676 net of share raising costs.

Directors' Report

Update on recovery of outstanding debts to Orpheus

As announced on 16 December 2014, under Indonesian legal practice, three notices must be sent prior to the commencement of any formal legal proceedings. All three Notices had been sent by 9 December 2014.

In each of these notices, Orpheus clearly indicated that unless the Debt is paid, Orpheus will commence legal proceedings in Indonesia against Mr Suksmanto and/or the Mega Coal Group (both civil and criminal), including but not limited to filing: (i) a petition for declaration of bankruptcy; (ii) a notice of arbitration and/or; (iii) a police report, in accordance with the prevailing laws and regulations.

As no outstanding funds had been paid by Mr Suksmanto and/or the Mega Coal Group, Orpheus advised it will shortly file a formal petition of bankruptcy against Mr Suksmanto.

Alternative asset acquisition strategy

The sale of the non-performing coal assets will allow the Company to progress an alternative asset acquisition strategy that the Directors believe will add value to shareholders and grow the Company. As announced previously, multiple new potential projects are being investigated by the Board.

On 31 October 2014, Orpheus announced that one of the projects being investigated by the Board was a potentially industry changing gold processing technology and that it had significantly progressed its due diligence and negotiations, which commenced a number of months ago, on this technology.

Subsequently, on 16 December 2014, Orpheus announced that following further negotiation and completion of its due diligence it had formed a view that the Project was not in the best interest of either Orpheus or its Shareholders and it had formally terminated discussions in respect to the Project.

Orpheus has, however, commenced discussions on a range of other opportunities, including in the resources sector.

Shares and Options

On 7 November 2014 Shareholders at the Orpheus 2014 AGM approved the conversion of Directors' loans and accrued interest of \$540,000 to equity with 18,000,000 shares issued to Directors at \$0.03 per share.

No options were issued during the reporting period but 14,925,000 unexercised options expired. At reporting date there were 10,089,458 unexercised options.


Other Significant Events

There have been no other significant events.

Auditor's Independence Declaration

The lead auditor under Section 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2014.

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



Wayne Mitchell, Executive Chairman

Date: 16 March 2015

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

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
ORPHEUS ENERGY LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
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I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2014 there have been no contraventions of:

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

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

G Webb

GRAHAM WEBB
Partner
Dated: 16 March 2015

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Orpheus Energy Limited

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ORPHEUS
ENERGY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2014

		Consolidated	
		31 Dec 2014	31 Dec 2013
	Note	\$	\$
Revenue			
Sales revenue	3	-	1,283,205
Other revenue	3	821,321	34,410
Expenses			
Coal purchases and extraction costs		-	(911,717)
Administration expenses		(18,830)	(55,707)
Project investigation and feasibility expenses		-	(389,044)
Consultancy and professional fees		(140,890)	(160,052)
Employment and related costs		(560,799)	(625,538)
Insurance expenses		(18,919)	(20,970)
Legal expenses		(47,823)	(32,805)
Depreciation and amortisation expense		(16,852)	(43,049)
Amortisation of mine development costs		-	(310,000)
Marketing and promotion expenses		(8,063)	(35,256)
Finance costs		(157,887)	(110,124)
Lease rental expenses and occupation costs		(82,030)	(102,458)
Compliance costs		(42,494)	(77,284)
Travel and accommodation costs		(23,924)	(143,986)
Share-based payments	7(b)	(12,413)	(23,151)
Impairment of exploration and evaluation assets		-	(812,750)
Provision for impairment of debtors		(9,461,463)	-
Loss on disposal of fixed assets		(13,090)	-
Loss before income tax		(9,784,156)	(2,536,276)
Income tax expense		-	(33,006)
Loss for the period		(9,784,156)	(2,569,282)
Loss attributable to:			
- Members of the parent entity		(9,783,928)	(2,476,088)
- Non-controlling interests		(228)	(93,194)
		(9,784,156)	(2,569,282)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign controlled entities		105,906	(183,420)
Total comprehensive income for the period		(9,678,250)	(2,752,702)
Total comprehensive income for the period attributable to:			
- Members of the parent entity		(9,677,320)	(2,661,948)
- Non-controlling interests		(930)	(90,754)
		(9,678,250)	(2,752,702)
Basic and diluted loss per share (cents)		(6.30)	(1.71)

The accompanying notes form part of these financial statements.

Orpheus Energy Limited

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	Consolidated	
		31 Dec 2014	30 June 2014
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		43,396	409,693
Trade and other receivables	5	175,690	8,672,165
TOTAL CURRENT ASSETS		219,086	9,081,858
NON-CURRENT ASSETS			
Deposits paid		1,219,500	1,061,150
Property, plant and equipment		45,688	71,790
Security deposits and bonds		84,519	84,519
TOTAL NON-CURRENT ASSETS		1,349,707	1,217,459
TOTAL ASSETS		1,568,793	10,299,317
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		952,653	615,557
Current tax liabilities		773,662	746,726
Employee provisions		107,921	92,625
Borrowings	6	1,136,645	1,120,660
TOTAL CURRENT LIABILITIES		2,970,881	2,575,568
TOTAL LIABILITIES		2,970,881	2,575,568
NET ASSETS		(1,402,088)	7,723,749
EQUITY			
Issued capital	7	31,235,699	30,695,699
Reserves		368,115	975,594
Accumulated losses		(33,000,370)	(23,942,942)
Parent entity interest		(1,396,556)	7,728,351
Non-controlling interests		(5,532)	(4,602)
TOTAL EQUITY		(1,402,088)	7,723,749

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Ordinary Share Capital	Accumulated Losses	Options Reserve	Foreign Currency Translation Reserve	Non- controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	30,695,699	(20,187,096)	726,500	457,741	-	11,692,844
Comprehensive income						
Loss for the period	-	(2,476,088)	-	-	(93,194)	(2,569,282)
Other comprehensive income for the period	-	-	-	(185,860)	2,440	(183,420)
Total comprehensive income for the period	-	(2,476,088)	-	(185,860)	(90,754)	(2,752,702)
Transactions with owners in their capacity as owners						
Acquisition of non-controlling interests	-	-	-	-	1,262,062	1,262,062
Options expensed during the period	-	-	23,151	-	-	23,151
	-	-	23,151	-	1,262,062	1,285,213
Balance at 31 Dec 2013	30,695,699	(22,663,184)	749,651	271,881	1,171,308	10,225,355
Balance at 1 July 2014	30,695,699	(23,942,942)	850,698	124,896	(4,602)	7,723,749
Comprehensive income						
Loss for the period	-	(9,783,928)	-	-	(228)	(9,784,156)
Other comprehensive income for the period	-	-	-	106,608	(702)	105,906
Total comprehensive income for the period	-	(9,783,928)	-	106,608	(930)	(9,678,250)
Transactions with owners in their capacity as owners						
Shares issued on conversion of related party loans	540,000	-	-	-	-	540,000
Options expensed during the period	-	-	12,413	-	-	12,413
Options expired during the period	-	726,500	(726,500)	-	-	-
	540,000	726,500	(714,087)	-	-	552,413
Balance at 31 Dec 2014	31,235,699	(33,000,370)	136,611	231,504	(5,532)	(1,402,088)

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$	\$
Cash flows from operating activities		
Receipts from customers	-	1,093,243
Other income received	24,186	-
Payments to suppliers and employees	(921,583)	(3,248,958)
Interest received	1,070	5,798
Interest paid	(165)	(109,522)
Net cash (used in) operating activities	(896,492)	(2,259,439)
Cash flows from investing activities		
Disposal of plant and equipment	-	83,700
Proceeds from from sale of subsidiaries	302,542	-
Refund of exploration and evaluation expenditure	-	284,239
Deposits and advances paid	(19,847)	-
Net cash provided by investing activities	282,695	367,939
Cash flows from financing activities		
Proceeds from borrowings	287,535	-
Repayment of borrowings	(40,035)	1,189,393
Net cash provided by financing activities	247,500	1,189,393
Net (decrease) in cash and cash equivalents	(366,297)	(702,107)
Cash and cash equivalents at beginning of period	409,693	1,595,514
Cash acquired on acquisition of subsidiaries	-	3,633
Effect of exchange rate changes on cash and cash equivalents	-	39,510
Cash and cash equivalents at end of period	43,396	936,550

The accompanying notes form part of these financial statements.

Notes to the Financial Statements FOR THE HALF YEAR ENDED 31 DECEMBER 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Orpheus Energy Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the following half-year.

These interim statements were authorised for issue on 16 March 2015.

b. Accounting Policies

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

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

The critical estimates and judgments are consistent with those applied and disclosed in the June 2013 annual report. However, the following additional significant judgments used in applying accounting policies have been disclosed as required by the new and revised Accounting Standards adopted for the first time in this interim financial reporting period:

Consolidation of entities in which the Group holds less than 50%

The directors of the Group consider that the parent entity controls the following subsidiary, notwithstanding that the Group holds 50% of the voting rights of these subsidiaries:

– Orpheus Energy (Hong Kong) Limited

The Group holds 50% of the voting rights in Orpheus Energy (Hong Kong) Limited with the remaining 50% interest held by Yi Rong Capital Management Co. Ltd.. The directors consider that the Group controls Orpheus Energy (Hong Kong) Limited even though it has 50% of the voting rights because the Group has management control of this company. Consequently, the directors consider that the Group controls Orpheus Energy (Hong Kong) Limited notwithstanding that it holds 50% of the voting rights.

d. Going Concern Basis

Notwithstanding the loss incurred during the half year amounting to \$9,784,156; negative cash flows from operating activities amounting to \$896,492 and a deficiency of net assets of \$1,402,088 as at 31 December 2014, the directors believe that the company is a going concern based on:

- The Group has receivables owing from the sale of Indonesian coal assets of \$9,271,957 which are past due and have therefore been provided for in full, but which the Directors believe are ultimately collectable;
- In the event that the above receivables cannot be collected then the Company will need to raise funds from other sources;
- A partially underwritten non-renounceable rights offer was made to shareholders on 22 November 2014 and closing on 12 February 2015 which raised an amount of \$254,676, net of share raising costs.

The above cash stream is expected to provide solid cash flows to support the ongoing development of the company. If projected collections and alternative capital raising targets are not met, then the company may not be able to pay its debts as and when they become due and payable.

2. DIVIDENDS

No dividends have been declared or paid during the period.

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NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$	\$
<i>Sales revenue</i>		
Sales of coal	-	1,098,950
Commissions received on coal sales contracts	-	184,255
	-	1,283,205
<i>Other income</i>		
Interest income	1,070	5,231
Foreign currency translation gains	796,065	28,545
Other income	24,186	634
	821,321	34,410
Total Revenue	821,321	1,317,615

4. SEGMENT REPORTING

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

- Australia
- Indonesia (mining)

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

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.

Segment Revenues and Results

The following is an analysis of the Consolidated Entity's revenue and results by reportable operating segment for the periods under review.

	Half-Year Ended 31 December 2014			Half-Year Ended 31 December 2013		
	Australia \$	Indonesia \$	Consolidated \$	Australia \$	Indonesia \$	Consolidated \$
(a) Segment performance						
Revenue						
Sales revenue	-	-	13,636	-	1,283,205	1,283,205
Inter-segment revenue	-	-	-	-	-	-
Total Revenue	-	-	13,636	-	1,283,205	1,283,205
Segment result	(8,777,464)	(1,006,692)	(9,784,156)	(1,466,170)	(1,070,106)	(2,536,276)
Income tax	-	-	-	-	(33,006)	(33,006)
Net Loss	(8,777,464)	(1,006,692)	(9,784,156)	(1,466,170)	(1,103,112)	(2,569,282)
Non-cash items included in loss above:						
Depreciation and amortisation	10,106	6,746	16,852	13,036	340,013	353,049
Impairment of receivables	8,907,030	554,433	9,461,463	-	-	-
Share-based payments	12,413	-	12,413	23,151	-	23,151
Impairment of exploration and evaluation assets	-	-	-	494,000	318,750	812,750
Loss on disposal of fixed assets	-	13,090	13,090	-	-	-
	Australia \$	Indonesia \$	Consolidated \$	Australia \$	Indonesia \$	Consolidated \$
(b) Segment assets						
Segment assets	21,495,987	139,285	21,635,272	29,226,582	711,690	29,938,272
Unallocated corporate assets	(20,066,479)	-	(20,066,479)	(19,638,955)	-	(19,638,955)
Consolidated Total Assets	1,429,508	139,285	1,588,793	9,587,627	711,690	10,299,317

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NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENT REPORTING

	Australia \$	Indonesia \$	Consolidated \$	Australia \$	Indonesia \$	Consolidated \$
	Half-Year Ended 31 December 2014			Year Ended 30 June 2013		
(c) Segment liabilities						
Segment liabilities	18,367,072	4,246,228	22,613,300	17,902,412	3,444,934	21,347,346
Unallocated corporate assets	(19,642,419)	-	(19,642,419)	(18,771,779)	-	(18,771,779)
Consolidated Total Liabilities	(1,275,347)	4,246,228	2,970,881	(869,367)	3,444,934	2,575,567

5. TRADE AND OTHER RECEIVABLES

	Note	Consolidated 31 Dec 2014 \$	Consolidated 30 June 2014 \$
Other receivables	(i)	9,966,707	8,625,881
Less provision for impairment		(9,857,228)	-
		109,479	8,625,881
Prepayments		66,211	46,284
		175,690	8,672,165

- (i) Receivables owing from the sale of assets to Mr Nugroho Suksmanto of \$9,271,957 have been impaired as the amount is past due and the Company has commenced legal action to recover this debt. A provision of \$585,271 has also been made in respect of amounts owing to the group's Indonesian subsidiary, PT Orpheus Energy.

6. CURRENT LIABILITIES - BORROWINGS

	Note	Consolidated 31 Dec 2013 \$	Consolidated 30 June 2014 \$
Loans from related parties – unsecured	(i)	181,328	459,995
Other loans – unsecured	(ii) (iii)	955,317	661,565
		1,136,645	1,120,660

- (i) Short term loans extended to the Company by Directors. Interest is payable at the rate charged by Westpac Banking Corporation on business overdrafts exceeding \$100,000 less 0.5%. This has been calculated as 7.33%. Interest unpaid and accrued on these loan at 31 December 2014 is \$3,828.

Directors' loans extended to the Company in the previous reporting period totalling \$540,000 including interest were converted to equity at a value of \$0.03 per share on 7 November 2014 following shareholders approval at the 2014 AGM.

- (ii) Loans provided for the upgrade of the SKJM Port in South Kalimantan. Interest unpaid and accrued on these loans outstanding is \$141,603.

- (iii) As disclosed in Note 8 "Events subsequent to reporting Date" on 6 March 2015 that after lengthy negotiations with its creditor PT Baraindo and also Mr Nugroho Suksmanto, the Company has executed a legally binding debt novation agreement. Under the terms of the agreement, Orpheus has paid PT Baraindo \$270,000 from the proceeds of the recent Rights Issue, and the balance of the debt owing to PT Baraindo of \$792,100 has been assigned to Mr Suksmanto.

Accordingly as the date of this report, the Company has no external debt. This transaction correspondingly reduces the amount owed to Orpheus by Mr Suksmanto of \$9,271,957 to \$8,479,857.

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NOTES TO THE FINANCIAL STATEMENTS

7. ISSUED CAPITAL

	Note	Consolidated	
		31 Dec 2014 \$	30 June 2014 \$
Ordinary shares	(a)	31,235,699	30,695,699
		31 Dec 2014	
		No of Shares	\$
(a) Movements in Ordinary shares on issue			
At 1 July 2014		150,256,271	30,695,699
Shares issued on conversion of related party loans		18,000,000	540,000
At 31 December 2014		168,256,271	31,235,699
		31 Dec 2014	
		No of Options	\$
(b) Options			
Movements in Options on issue			
At 1 July 2014		25,014,458	850,698
Options expired*		(14,925,000)	(726,500)
Options expense		-	12,413
At 31 December 2014		10,089,458	136,611

* Options unexercised and expired on 30 September 2014 at exercise prices of \$0.20 and \$0.25.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses were as follows:

	Consolidated	
	31 Dec 2014 \$	31 Dec 2013 \$
Options expensed	12,413	23,151

8. EVENTS SUBSEQUENT TO REPORTING DATE

Non-renounceable Rights Offer

The partially underwritten non-renounceable rights offer closed on 12 February 2015 with a total of 15,220,198 new shares subscribed at \$0.02 per share raising net \$254,676 after share issue costs. This included 7,229,480 shares allotted to Directors who partially underwrote the Rights Offer. The shortfall of 40,865,225 new shares can be placed at the discretion of the Board.

Debt Novation agreement

On 6 March 2015 that after lengthy negotiations with its creditor PT Baraindo and also Mr Nugroho Suksmanto, the Company has executed a legally binding debt novation agreement. Under the terms of the agreement, Orpheus has paid PT Baraindo \$270,000 from the proceeds of the recent Rights Issue, and balance of the debt owing to PT Baraindo of \$792,100 has been assigned to Mr Suksmanto.

Accordingly as the date of this report, the Company has no external debt. This transaction correspondingly reduces the amount owed to Orpheus by Mr Suksmanto of \$9,271,957 to \$8,479,857.

There are no other matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the entities, the results of those operations, or state of affairs of the entities in future financial periods.

9. CONTINGENT LIABILITIES

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

Orpheus Energy Limited

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NOTES TO THE FINANCIAL STATEMENTS

10. RELATED PARTY TRANSACTIONS

During the reporting period Directors of the Company extended short term loans to the Company. Interest is payable at the rate charged by Westpac Banking Corporation on business overdrafts exceeding \$100,000 less 0.5%. This has been calculated as 7.33%. Interest unpaid and accrued on these loan at 31 December 2014 is \$3,828.

Directors' loans extended to the Company in the previous reporting period totalling \$540,000 including interest were converted to equity at a value of \$0.03 per share on 7 November 2014 following shareholders' approval at the Orpheus 2014 AGM.

11. INTEREST IN SUBSIDIARIES

Information about Principal Subsidiaries

Set out below are the Group's subsidiaries at 31 December 2014. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		At 31 Dec 2014	At 30 June 2014	At 31 Dec 2014	At 30 June 2014
Orpheus Energy Group Pty Ltd	Australia	100%	100%	-	-
Orpheus Energy (Ashford) Pty Ltd as trustee for Ashford Unit Trust	Australia	100%	100%	-	-
Orpheus Energy (Hodgson Vale) Pty Ltd as trustee for Hodgson Vale Unit Trust	Australia	100%	100%	-	-
Orpheus Energy (Wingen) Pty Ltd as trustee for Wingen Unit Trust	Australia	100%	100%	-	-
PT Orpheus Energy	Indonesia	100%	100%	-	-
Orpheus Energy (China) Co Limited	Australia	100%	100%	100%	100%
Orpheus Energy Singapore Pte Ltd	Australia	100%	100%	-	-
Orpheus Energy (Hong Kong) Limited	Australia	50%	50%	50%	50%
Bushveld Exploration (SA) (Pty) Ltd	Australia	100%	100%	100%	100%

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

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Directors' Declaration

In accordance with a resolution of the directors of Orpheus Energy Limited, the directors of the company declare that:

The financial statements and notes, as set out on pages 5 to 13, are in accordance with the *Corporations Act 2001*, including:

- a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
- b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Wayne Mitchell, Executive Chairman

Date: 16 March 2015

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

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
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Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Orpheus Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Orpheus Energy Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Orpheus Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- (i) giving a true and fair view of Orpheus Energy Limited's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1(d) in the financial report which indicates that the company had incurred a net loss of \$9,784,156 and incurred negative cash flows from operating activities of \$896,492 during the half-year ended 31 December 2014 and as of that date, the company's total liabilities exceeded its total assets by \$1,402,088. These conditions, along with other matters as set forth in Note 1(d), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

Graham Webb

GRAHAM WEBB
Partner
Dated: 16 March 2015