Quarterly Report

Activities Report for the Quarter ended 30 September 2012

Orpheus Energy Limited (ASX:OEG) has continued to focus on developing its portfolio of projects in Indonesia over the last quarter and announced it was mining again at its East Kalimantan B2 project.

INDONESIA

SOUTH KALIMANTAN

As reported in the June Quarterly Activities Report, unseasonal heavy rain and major flooding continued through to the middle of September in the Kintap area, indeed closing most of the coal mining operations in South Kalimantan, including the ADK Project's production.

However, with better weather returning to the area in late September, and continuous pumping of water from the ADK mine, mining activity in the ADK pit has restarted and is currently ramping up to "normal" production. As previously reported, an updated mine plan is being implemented and planned output is expected to be 50,000 tonnes per month. Since production has resumed, over 40,000 tonnes has been transported to Orpheus' stockpile awaiting delivery to buyers in the next weeks.

Pumping out of the Trinity pit at ADK

ADK production resuming after heavy rain and flooding in the Kintap area

ADK's first stockpile – over 5,000 tonnes in early October

The next phase of development of the ADK operation includes the installation of a coal crusher by end November, and a weighbridge next to the stockpile, by end December. Both of these additions will allow Orpheus to earn a higher sale price for its production coal tonnage, particularly as steady state production is achieved and longer-term contracts are executed.

ADK stockpile in mid-October (approximately 40,000 tonnes) with crusher/weighbridge installation underway

The previously announced ADK drilling program is underway and a JORC resource is expected by the end of the year. At the time of writing, three holes had been completed of a 12-hole program, to a depth of 100m, all had intersected coal and confirmed the existence and quality of the coal that is currently near mining operations.

Orpheus continues to identify and evaluate/acquire projects in the South Kalimantan Kintap area under its strategic alliance with JV partner, PT Mega Coal International. On 4 September 2012, Orpheus announced it had signed a Heads of Agreement with PT Citra Bara Prima ("CBP") over a ~195 hectare coal production project in South Kalimantan

This concession area is located adjacent to one of PT Arutmin's major operating coal mines and approximately 6km from Orpheus' ADK project. With an exploration target of 2.0 - 4.5Mt, a 12-hole exploration-drilling program to a target depth of 100m, commenced in late September with the objective of establishing a coal resource.

EAST KALIMANTAN

On 27 September 2012, Orpheus announced that mining had re-commenced at its B2 project in East Kalimantan. PT Debbia Mining, Orpheus' mining contractor, had successfully removed the overburden and exposed coal by mid-September and commenced coal getting from the new pit, located in the central section of the tenement area, with target production of 30,000 tonnes per month.

B2 overburden removal to expose coal seam(s).

Exposing the coal seam and coal getting

One of B2's three stockpiles – over 5,000 tonnes

The current mine plan covers the next three years of mining of the B2 area. It is planned that the adjacent B6 project area (*currently containing a 1-5 - 2.5Mt exploration target with a calorific value of 5,950 to 6,850 kcal/kg*)* will be progressively brought into production to increase the tonnage being mined from the area.

Orpheus will receive net US$8 per tonne on all coal sales from PT Debbia Mining and is not responsible for any capital, operating or marketing expenses. First cash receipts from B2 are expected by the end of the December quarter.

Sixty km to the west of B26 is Orpheus' B34 Project. An exploration program to establish a JORC resource has commenced, (*currently it has an exploration target of 5 – 10Mt**). This program is aimed at delineating additional resources to continue mining in the area, and B34 is ultimately planned to be mined using the connecting log hauling road to B26 and then the same road/port infrastructure as the B26 project.

PAPUA

As previously reported, 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.

Preliminary investigations in both areas have found coal outcrops near the concession boundaries. Socialisation of the local communities is nearing finalisation, and when this has been completed, a preliminary field exploration program will commence. This will entail three local teams under Orpheus' supervision, attempting to locate further coal outcrops, which will be sampled and assayed ahead of a targeted drilling program.

AUSTRALIA

Orpheus Energy is very much focused on developing its portfolio of Indonesian coal projects and following a strategic review of the company's operations, the Board has been assessing its portfolio of Australian assets to determine the best way forward for each of the three projects.

The company announced on 8 October 2012, it had withdrawn from the Wingen Bentonite Project Joint Venture, having spent less than $10,000 on the project.

Orpheus will keep shareholders updated on the progress of the assessment of the other two Australian projects, namely the Hodgson Vale Coal project and the Ashford Limestone project.

CORPORATE

Coal Trading Licence

Orpheus seeks to identify appropriate additional sources of revenue to underscore its coal project development and exploration activities in Indonesia. As announced on 10 September 2012, Orpheus has secured an independent coal trading licence, allowing the company to not only sell its own coal but production from other miners in Indonesia, where $1 -$3 per tonne is typically earned by coal traders. This is a new potential profit centre for Orpheus with interest from power stations in India, South China and Thailand. The objective is to grow trading activities to several hundred thousand tonnes per month over the 12-18 months.

In-Specie Distribution and Share Register Consolidation

The $2.2m convertible Note debt obligation and accumulated interest owing to Coalworks Limited was settled in September by the issue 18,181,080 new Orpheus ordinary shares. This issue was approved by shareholders at Orpheus' Annual General Meeting on 14 September 2012, thereby reducing the current debt obligations and future interest and financing cost of this debt facility. Furthermore, the shares were effectively issued at a significant premium to the prevailing share price. The company now has 150,256,271 Ordinary shares on issue of which a total of 19,780,352 are under ASX imposed escrow.

As part of the recent related takeover of Coalworks Limited by Whitehaven Coal, it was agreed that Whitehaven would conduct an in-specie distribution to Coalworks shareholders of the OEG shares it holds. Tranche 1 of this process has now been completed, distributing 44,113,567 shares and adding a range of institutional, corporate and retail investors to the

Orpheus register. Importantly, Whitehaven Coal is left with a much-reduced shareholding in Orpheus of approximately 8.5% (from ~28%). Tranche 2 of the process, to distribute the remaining 12,363,880 shares to eligible Coalworks shareholders will occur in August 2013, when the ASX-imposed escrow expires.

The in-specie distribution process has added approximately 1500 new shareholders to the OEG share register. Many of these shareholders will hold an unmarketable parcel (below a value of $500) and others will hold parcels of up to $1000 worth of OEG shares. While Orpheus welcomes these shareholders to the company, to assist those who would like to sell their shareholding in a simple and cost-effective manner, the company announced on 2 October 2012, an unmarketable parcel and share sale facility.

Additionally, for those shareholders wishing to add to their OEG shareholding, the company has initiated a Top-Up facility where the above shareholders can increase their holding without brokerage costs. Documentation containing detailed information has been sent to all shareholders, and the share registry's call centre is contacting shareholders to assist with any questions. The programs will close on 14 November 2012 and a better structured share register should be the outcome.

New Board Member Appointment

On 28 September 2012, Orpheus announced the appointment of a Non-Executive Director, Michael Rhodes. Michael is a highly experienced drilling engineer by background, he has lived and worked in Indonesia for over twenty years and has an extensive network of political, industrial and trade contacts. Michael is also a principal and Director of PT Mega Coal International, Orpheus' Indonesian JV partner. Since before Orpheus listed in August 2011, Michael has worked closely with Orpheus to help identify production and near-term coal mining projects, assist in negotiating transactional details and develop the projects at an operational level.