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 2012

Contents

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 2012 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 and Company Secretary
Mr Wesley Harder, Director & Exploration Manager
Mr Anthony King, Non-Executive Director
Mr Mike Rhodes, Non-Executive Director (appointed 28 September 2012)

Principal Activities

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

Operating Results

The net loss of the consolidated entity for the half year was $1,338,990 (2011: corresponding period a loss of $6,686,968). $424,622 for project investigation and feasibility expenses during the period was expensed.

Dividends

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

Activities Report
For the Half year ended 31 December 2012

Orpheus Energy Limited (ASX:OEG) has continued to focus on developing its portfolio of projects in Indonesia over the last half with revenues of ~A$1.25m from its South Kalimantan operations, the sale of one its East Kalimantan mines for $2m, and a new coal discovery in Papua.

INDONESIA

SOUTH KALIMANTAN

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 Project restarted.

Since then, the mine has been ramping up to achieve steady state production. An updated mine plan was implemented with planned output around 50,000 tonnes per month. Since production resumed, 44,025 tonnes of coal was mined and sold for total revenues of ~A$1.25m over the last quarter. As at 31 December 2012, an additional 10,213 tonnes was on stockpile awaiting sale and transportation, which has subsequently been sold.

Over the course of the half, the next phase of development of the ADK operation was undertaken with the installation of a coal crusher, and a weighbridge located next to the stockpile. 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.

The previously announced ADK drilling program was completed just before Christmas and a JORC resource of 3.45Mt was announced in early February 2013. The JORC resource is based on 24 exploration core holes undertaken by Orpheus Energy, in addition to 29 historical exploration holes, drilled in the near past, over the existing mining area of approximately 100 hectares.

As previously announced, 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 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.

Additional coal projects in South Kalimantan, including potentially large resource projects, are under advanced due diligence and will be announced as title and technical reviews are completed.

EAST KALIMANTAN

Over the course of the first quarter, PT Debbia Mining, Orpheus' mining contractor at the B2 project in East Kalimantan, completed infrastructure upgrades including refurbishment of a 27km hauling road from the pit to the jetty. This allowed PT Debbia Mining to commence mining and initiate coal sales in December 2012.

Coal mining in this area 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. As previously announced, Orpheus was to receive net US$8 per tonne on all coal sales from PT Debbia Mining and was not responsible for any capital, operating or marketing expenses.

As announced post reporting date, on 31 January 2013, the Orpheus Board made the decision to exit from the B26 project by selling the company's 51% equity interest for US$2m, representing a ~17% profit margin to Orpheus on the acquisition and development costs of the project paid by the company to date. Payment is to be made to Orpheus by March 2013. The sale proceeds will significantly strengthen Orpheus's balance sheet as it focuses on achieving positive cash flow and allow the company's operational team to more efficiently develop its long-term Indonesian target area of South Kalimantan.

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. Preliminary investigations in both areas have found coal outcrops near the concession boundaries.

Over the course of the second quarter, further socialisation of the local communities was required and reached finalisation just prior to the end of 2012. Since the reporting date, in late-January 2013, a preliminary field exploration program has been completed under the leadership of Dr Maran Gulton, a Javanese geologist of 30 years' experience in fieldwork and as Section Head of various geological and other technical Departments of Energy and Mining in the Papuan Province. As announced post reporting date, in March 2013, the team made an initial discovery of a coal seam almost 1 metre thick, believed to extend for a significant distance into the bush area and with similar coal quality characteristics as South Kalimantan coal.

AUSTRALIA

Over the course of the half, the Board continued to assess its two Australian assets, the Hodgson Vale coal project and the Ashford limestone project, to determine the best way forward for each of the projects. Preliminary discussions with potential offshore and local companies to either acquire or joint venture the projects are underway.

CORPORATE

Completion of Unmarketable Parcel Sale or Top Up Facility and Share Sale Facility
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.

Resignation/Appointment of Chief Financial Officer

As announced post reporting date 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.

Change of Registered Address

As announced post reporting date on 21 January 2013, Orpheus has re-located to Level 12, 179 Elizabeth St, Sydney NSW 2000.

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 31 December 2012 of which 19,780,352 were under escrow.

1,619,049 options over ordinary shares exercisable at $2.63 were unexercised expired on 8 September 2012. At 31 December 2012 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.

Other Significant Events

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.

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 at the par value of the shares of $481,325.

In December 2012 the Company moved its Head Office to 179 Elizabeth Street, Sydney NSW from North Sydney and signed a three year lease on the premises.

Events Subsequent to Reporting Date

On 31 January 2013 Orpheus announced that it has sold its 51% stake in the East Kalimantan coal projects, Block 2 and Block 6 (B26) back to the company's joint venture partner PT Mega Coal for US$2 million. Payment is to be made to Orpheus by March 2013.

Auditor's Independence Declaration

The lead auditor under Section 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2012.

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

Director

Wayne Mitchell

Date: 15 March 2013

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 half-year ended 31 December 2012 there have been:

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

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

Hall Chadwick

Hall Chadwick
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31 Market Street, SYDNEY NSW 2000

GRAHAM WEBB
Partner
Date: 15 March 2013

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Orpheus Energy Limited

ABN 67 121 257 412
and controlled entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2012

		Consolidated	
		31 Dec 2012	31 Dec 2011
	Note	$	$
Revenue			
Sales revenue	3	1,690,154	58,554
Other revenue	3	29,644	-
Expenses			
Costs of coal extraction		(1,123,071)	-
Royalty expenses		(62,476)	-
Administration expenses		(75,832)	(185,643)
Project investigation and feasibility expenses		(424,622)	(48,874)
Consultancy and professional fees		(133,522)	(409,062)
Employment and related costs		(575,297)	(377,760)
Insurance expenses		(34,580)	(21,148)
Legal expenses		(61,203)	(97,979)
Depreciation and amortisation expense		(20,490)	(3,110)
Marketing and promotion expenses		(35,842)	(9,536)
Finance costs		(41,179)	(27,666)
Lease rental expenses and occupation costs		(62,405)	(52,590)
Restructuring, expert reports and related expenses		-	(147,409)
Compliance costs		(118,144)	(59,282)
Travel and accommodation		(175,029)	(120,406)
Foreign currency translation losses		(105,887)	(48,323)
Share based payments		-	(236,216)
Impairment of investment in exploration licences	5	(9,209)	(2,721,155)
Impairment of goodwill		-	(2,179,363)
Loss before income tax		(1,338,990)	(6,686,968)
Income tax expense		-	-
Loss for the period		(1,338,990)	(6,686,968)
Other comprehensive income:			
Exchange differences on translation of foreign controlled entities		(183,657)	-
Other comprehensive income for the period, net of tax		(183,657)	
Total comprehensive income for the period		(1,522,647)	(6,686,968)
Loss attributable to:			
- Members of the parent entity		(1,260,129)	(6,596,329)
- Non-controlling interests		(78,861)	(90,639)
		(1,338,990)	(6,686,968)
Total comprehensive income attributable to:			
- Members of the parent entity		(1,334,157)	(6,596,329)
- Non-controlling interests		(188,490)	(90,639)
		(1,522,647)	(6,686,968)
Basic earnings (loss) per share		(0.009)	(0.058)
Diluted earnings (loss) per share		(0.009)	(0.051)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		Consolidated	
		31 Dec 2012	30 June 2012
	Note	$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,545,987	3,585,127
Trade and other receivables		1,136,174	1,397,413
Inventories		232,565	-
TOTAL CURRENT ASSETS		2,914,726	4,982,540
NON-CURRENT ASSETS			
Deposits paid		4,693,805	4,695,580
Exploration and evaluation expenditure	5	7,383,190	7,142,561
Plant and equipment		90,463	87,461
Security deposits and bonds		77,858	82,833
Goodwill		135,837	135,837
TOTAL NON-CURRENT ASSETS		12,381,153	12,144,272
TOTAL ASSETS		15,295,879	17,126,812
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		723,672	725,412
Employee provisions		28,945	17,719
Convertible notes		-	2,200,000
TOTAL CURRENT LIABILITIES		752,617	2,943,131
TOTAL LIABILITIES		752,617	2,943,131
NET ASSETS		14,543,262	14,183,681
EQUITY			
Issued capital	6	30,695,698	28,332,145
Reserves		612,390	693,733
Accumulated losses		(17,798,956)	(16,302,532)
Parent entity interest		13,509,132	12,723,346
Non-controlling interests		1,034,130	1,460,335
TOTAL EQUITY		14,543,262	14,183,681

The accompanying notes form part of these financial statements.

Orpheus Energy Limited

ABN 67 121 257 412
and controlled entities

ORPHEUS
ENERGY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Ordinary Share Capital	Accumulated losses	Employee Benefits Reserve	Options 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)
Comprehensive income							
Loss for the period	-	(6,596,329)	-	-	-	(90,639)	(6,686,968)
Other comprehensive income for the period	-	-	-	-	(4,757)	-	(4,757)
Total comprehensive income for the period	-	(6,596,329)	-	-	(4,757)	(90,639)	(6,691,725)
Transactions with owners in their capacity as owners							
Shares issued during the period pursuant to the prospectus	18,200,000	-	-	-	-	-	18,200,000
Transaction costs	(271,910)	-	-	-	-	-	(271,910)
Recognition of non-controlling interests	-	-	-	-	-	1,878,315	1,878,315
Options granted during the period	-	-	-	632,716	-	-	632,716
Total transactions with owners in their capacity as owners	17,928,090	-	-	632,716	-	1,878,315	20,439,121
Balance at 31 Dec 2011	**26,311,784**	**(16,309,429)**	**979,952**	**632,716**	**(4,757)**	**1,787,677**	**13,397,943**
Balance at 1 July 2012	28,332,145	(16,302,532)	-	733,815	(40,082)	1,460,335	14,183,681
Comprehensive income							
Loss for the period	-	(1,260,129)	-	-	-	(78,861)	(1,338,990)
Other comprehensive income for the period	-	-	-	-	(74,028)	(109,629)	(183,657)
Total comprehensive income for the period	-	(1,260,129)	-	-	(74,028)	(188,490)	(1,522,647)
Transactions with owners in their capacity as owners							
Shares issued during the period as settlement of convertible note	2,363,553	-	-	-	-	-	2,363,553
Acquisition of non-controlling interests	-	(243,610)	-	-	-	(237,715)	(481,325)
Options expired during the period	-	7,315	-	(7,315)	-	-	-
Total transactions with owners in their capacity as owners	2,363,553	(236,295)	-	(7,315)	-	(237,715)	1,882,228
Balance at 31 Dec 2012	**30,695,698**	**(17,798,956)**	**-**	**726,500**	**(114,110)**	**1,034,130**	**14,543,262**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated 31 Dec 2012 $	Consolidated 31 Dec 2011 $
Cash flows from operating activities			
Receipts from customers		672,966	-
Payments to suppliers and employees		(2,091,268)	(1,127,467)
Interest received		29,644	58,554
Interest paid		(41,179)	(27,666)
Net cash (used in) operating activities		(1,429,837)	(1,096,579)
Cash flows from investing activities			
Payments for plant and equipment		(23,492)	(18,343)
Payments for exploration and evaluation expenditure		(212,012)	(82,120)
Deposits recouped / (paid)		4,974	(10,000)
Payments for working capital and other advances		(378,773)	-
Payments for other assets		-	(100,000)
Payments for mining tenements		-	(2,000,000)
Net cash (used in) investing activities		(609,303)	(2,210,463)
Cash flows from financing activities			
Proceeds from issue of shares, net of capital raising costs		-	5,621,330
Repayment of borrowings		-	(434,205)
Net cash provided by financing activities		-	5,187,125
Net (decrease) / increase in cash and cash equivalents		(2,039,140)	1,880,083
Cash and cash equivalents at beginning of period		3,585,127	1,606,800
Cash acquired on acquisition		-	200,140
Cash and cash equivalents at end of period		1,545,987	3,687,023

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2012 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 2012, together with any public announcements made during the following half-year.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2012 annual report.

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

Presentation of Items of Other Comprehensive Income

The Group adopted AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income on 1 July 2012. AASB 2011–9 is mandatorily applicable from 1 July 2012 and amends AASB 101: Presentation of Financial Statements.

AASB 2011–9 amends the presentation requirements of other comprehensive income. It requires items of other comprehensive income to be grouped between:

- items that will not be reclassified subsequently to profit or loss; and
- those that will be reclassified subsequently to profit or loss when specific circumstances occur.

It also requires, when items of other comprehensive income are presented before the related tax effects with a single amount shown for the aggregate amount of income tax relating to those items, the amount of tax effect to be allocated between:

- items that will not be reclassified subsequently to profit or loss; and
- those that might be reclassified subsequently to profit or loss.

AASB 2011–9 also amends AASB 101 to change the title "income statement" to "statement of profit or loss" under the two-statement approach. Although other titles are also permitted, the Group has decided to use the title "statement of profit or loss".

The adoption of AASB 2011–9 only changed the presentation of the Group's financial statements and did not have any impact on the amounts reported for the current period or for any prior period in the Group's financial statements.

Going Concern Basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity Notwithstanding the loss incurred during the reporting period amounting to $1,338,990, the directors believe that the company is a going concern based on:

- the Group has $1,545,987 in cash at balance date and this together with the proceeds of US$2 million from the sale of B26 coal projects in South Kalimantan is forecast to be sufficient to meet exploration and administrative expenditure for at least the next 12 months;
- the acquisition of interests in the ADK mine which is a currently operating mine is expected to contribute positively towards profits and cash flow of the Group.

The above revenue streams and planned capital raising are expected to provide solid cash flows to support the ongoing development of the Group's growing portfolio of projects. Notwithstanding the Group plans to raise up to $7 million in the next twelve months, the Group's cash projections shows a positive cash balance in excess of over $1 million.

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

2 DIVIDENDS

No dividends have been declared or paid during the period.

3 REVENUE

	Consolidated 31 Dec 2012 $	Consolidated 31 Dec 2011 $
Sales revenue		
Sales of coal	1,690,154	-
Other revenue		
Interest income	29,644	58,554
Total Revenue	1,719,798	58,554

4 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 $	Consolidated $	Australia $	Indonesia $	Consolidated $
	Half-Year Ended 31 December 2012			Half-Year Ended 31 December 2011		
(a) Segment performance						
Revenue						
External revenue	27,587	1,692,211	1,719,798	58,496	58	58,554
Inter-segment revenue	-	-	-	-	-	-
Total Revenue	27,587	1,692,211	1,719,798	58,496	58	58,554
Segment result	(1,176,800)	(162,190)	(1,338,990)	(6,505,398)	(181,569)	(6,686,968)
Income tax	-	-	-	-	-	-
Net Loss	(1,176,800)	(162,190)	(1,338,990)	(6,505,398)	(181,569)	(6,686,968)
Non-cash items included in loss above:						
Depreciation and amortisation	13,358	7,132	20,490	-	3,110	3,110
Share based payments	-	-	-	236,216	-	236,216
Impairment of investment in exploration licenses	9,209	-	9,209	2,721,155	-	2,721,155
Impairment of goodwill	-	-	-	2,179,363	-	2,179,363
(b) Segment assets / liabilities						
Segment assets	14,377,968	917,911	15,295,879	12,280,599	3,842,903	16,123,502
Segment liabilities	(173,172)	(579,445)	(752,617)	(2,240,876)	(484,683)	(2,725,559)
Consolidated Total Assets / Liabilities	14,204,796	338,466	14,543,262	10,039,723	3,358,220	13,397,943

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

5 EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 Dec 2012 $	Consolidated 30 June 2012 $
NON-CURRENT		
Balance at beginning of period	7,142,561	-
Tenements acquired	-	6,646,500
Acquisitions on business combinations	-	3,076,703
Exploration and evaluation expenditure	249,838	140,513
Impairment charge	(9,209)	(2,721,155)
Carrying amount at end of period	7,383,190	7,142,561

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

6 ISSUED CAPITAL

		Consolidated 31 Dec 2012 $	Consolidated 30 June 2012 $
Ordinary shares	(a)	30,695,698	28,332,145

	31 Dec 2012 No of Shares	31 Dec 2012 $
(a) Movements in Ordinary shares on issue		
At 1 July 2012	132,075,191	28,332,145
Share issued as settlement of convertible note	18,181,080	2,363,553
At 31 December 2012	150,256,271	30,695,698
(b) Options		
Movements in Options on issue		
At 1 July 2012	16,544,049	733,815
Options issued	-	-
Options converted	-	-
Options expired	(1,619,049)	(7,315)
At 31 December 2012	14,925,000	726,500

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

7 SUBSEQUENT TO REPORTING DATE

On 31 January 2013 Orpheus announced that it has sold its 51% stake in the East Kalimantan coal projects, Block 2 and Block 6 (B26) back to the company's joint venture partner PT Mega Coal for US$2 million. Payment is to be made to Orpheus by March 2013

Other than the above item there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future financial years.

8 CONTINGENT LIABILITIES

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

9 RELATED PARTY TRANSACTIONS

All related party transactions are consistent with those reported in the 2012 Annual Report.

10 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 derecognised 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:

	31 Dec 2012 $
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)

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 6 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 2012 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.

Director

Wayne Mitchell

Date: 15 March 2013

HALLCHADWICK
Chartered Accountants and Business Advisers

ORPHEUS ENERGY LIMITED
ABN 67 121 257 412
AND CONTROLLED ENTITIES

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

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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 2012, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, and consolidated statement of changes in equity, 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 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 2012 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.

HALLCHADWICK

ORPHEUS ENERGY LIMITED
ABN 67 121 257 412
AND CONTROLLED ENTITIES

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

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 2012 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 in the financial report which indicates that the company had incurred a net loss of $1,338,990 during the half year ended 31 December 2012. Note 1 also indicates that the company expects to receive US$2 million from the sale of B26 coal projects and plans to raise up to $7 million in the next twelve months. These conditions, along with other matters as set forth in Note 1, 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 29, St Martins Tower
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GRAHAM WEBB
Partner

Date: 15 March 2013