

Quarterly Report

Activities Report for the Quarter ended
30 June 2017



ORPHEUS
ENERGY

Alternative asset acquisition strategy update

As announced on 12 April 2017, Orpheus Energy Ltd ("**Orpheus**" or "**OEG**") entered into a Share Purchase Agreement with all of the shareholders of SenSen Networks Pty Ltd (**SenSen**). Orpheus is now pleased to announce that the formal due diligence period has completed. Subject to compliance with regulatory requirements and approvals as may be required under Australian law, Orpheus will acquire 100% of SenSen by the purchase of all the shares in SenSen from the shareholders of SenSen (**Vendors**), in exchange for the issue of shares in Orpheus.

SenSen (www.sensennetworks.com) is one of the world's leading suppliers of Video-IoT data driven business process enhancement solutions. The company's ground breaking, highly accurate technology combines enterprise video and sensor data from IoT devices with patented data fusion, computer vision, machine learning and Artificial Intelligence algorithms into a highly scalable and configurable platform, to help their customers increase revenue and reduce the cost of their operations. The company is well-positioned to exploit global market growth and opportunities, and this proposed ASX backdoor listing through OEG will provide SenSen both the platform and access to capital markets to rapidly further develop the company.

As outlined in the 12 April 2017 ASX announcement, the acquisition of SenSen (**Acquisition**) will constitute a change to the nature and scale of Orpheus's activities. Orpheus will therefore need to:

- re-comply with Chapters 1 and 2 of the ASX Listing Rules; and
- put the Acquisition to Orpheus shareholders for approval at a general meeting (**General Meeting**), scheduled to take place on 29 August 2017.

It is anticipated that on 1 August 2017, OEG shareholders will be sent a Notice of Meeting (**NOM**) setting out the various resolutions relating to the Acquisition and a detailed explanatory statement will accompany the NOM.

The Acquisition is subject to the broad terms and a number of conditions precedent and completion in accordance with the terms of the Share Purchase Agreement. Conditions precedent includes the approval of Orpheus Shareholders at the General Meeting (detailed above) and compliance with a number of regulatory approvals under the ASX Listing Rules and under Australian law.

Full details regarding the proposed Acquisition will be provided in the NOM, however, in the meantime, please refer to the ASX announcement dated 12 April 2017 for further detail on the:

- Acquisition;
- Consideration for the Acquisition;
- Conditions precedent to the Acquisition;

- Indicative capital structure as a result of the Acquisition;
- Board and management of the combined Orpheus and SenSen Group; and
- Anticipated timetable for the Acquisition.

Debt Recovery Update

Nugroho Suksmanto is still to pay any of the outstanding funds owed to Orpheus and he remains in breach of the Settlement Agreement.

As previously announced, as part of the Settlement Agreement, Orpheus was provided with additional security in the form of a pledge over 10.5% of the shares in a real estate company, PT Abadi Guna Papan (**AGP**), in which Suksmanto is the controlling shareholder.

A potential acquirer of the 10.5% of the pledged shares in AGP has submitted a formal offer to the OEG Board, which has been agreed to by the Board, subject to cash funds actually being received.

As part of the legal documentary process to complete the proposed transaction, and AGP's Constitution, all shareholders of AGP are required to formally approve any share sale. All documentation has been completed and approval has been granted by all shareholders with the exception of Suksmanto himself. Until such time as Suksmanto agrees to the share sale, the transaction cannot proceed. He has requested more time before approving the share sale to allow a pending property transaction to proceed that would alleviate the need to sell the AGP shares.

Orpheus continues to pursue the sale of the AGP shares. While other parties are also interested in acquiring the AGP equity, the current buyer represents the best deal for Orpheus.

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 and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ORPHEUS ENERGY LIMITED

ABN

67 121 257 412

Quarter ended ("current quarter")

June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(255)	(475)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	(5)	(5)
1.7 Research and development refunds		-
1.8 Other (ATO PAYG/GST refunds)	12	234
1.9 Net cash from / (used in) operating activities	(248)	(245)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	330	330
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7	4
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(248)	(245)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	330	330
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	89	89

Note

Nugroho Suksmanto is still to pay any of the outstanding funds owed to Orpheus and he remains in breach of the Settlement Agreement. As at 30 June 2017, IDR 70 billion Rupiah plus interest of IDR8.75 billion Rupiah (total 78.75 billion Rupiah or ~A\$7.6M) remains unpaid.

Nugroho Suksmanto is still to pay any of the outstanding funds owed to Orpheus and he remains in breach of the Settlement Agreement. As previously announced, as part of the Settlement Agreement, Orpheus was provided with additional security in the form of a pledge over 10.5% of the shares in a real estate company, PT Abadi Guna Papan (AGP), in which Suksmanto is the controlling shareholder.

A potential acquirer of the 10.5% of the pledged shares in AGP has submitted a formal offer to the OEG Board, which has been agreed to by the Board, subject to cash funds actually being received.

As part of the legal documentary process to complete the proposed transaction, and AGP's Constitution, all shareholders of AGP are required to formally approve any share sale. All documentation has been completed and approval has been granted by all shareholders with the exception of Suksmanto himself. Until such time as Suksmanto agrees to the share sale, the transaction cannot proceed. He has requested more time before approving the share sale to allow a pending property transaction to proceed that would alleviate the need to sell the AGP shares.

Orpheus continues to pursue the sale of the AGP shares. While other parties are also interested in acquiring the AGP equity, the current buyer represents the best deal for Orpheus.

As announced, Orpheus has entered into a Share Purchase Agreement to acquire 100% of the issued capital of SenSen. The agreement provides for the raising of up to \$1.5 million under a SPP and a further \$5 million under a General Offer Prospectus. The plan also provides for the raising of up to \$500,000 by OEG by way of a note issue if at least \$500,000 is not received by OEG on part repayment of the Indonesian debt. The Company has received binding commitments from sophisticated and professional investors to subscribe for \$500,000 worth of Orpheus notes. Note contributions are payable in five equal instalments with \$330,000 having been received at 30 June 2017. These funds are being used to fund the acquisition costs and to provide working capital. The remaining \$170,000 is due to be received in July.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	89	7
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	89	7

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
-
-

7. Payments to related entities of the entity and their associates

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	686	686
8.2 Credit standby arrangements	-	-
8.3 Other – Convertible Notes	500	330
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loans

Existing Unsecured loans - Directors loans from David Smith and associate \$258,650, Wayne Mitchell \$330,138 and Wes Harder \$67,000, totalling \$655,788, not including interest accrued and not paid of \$30,781 at the rate charged by Westpac Banking Corporation on business overdrafts exceeding \$100,000 on less 0.5%.

Under the SenSen SPA it is proposed that at the General Meeting of Orpheus shareholders to approve the transaction that shareholder approval is also obtained to convert 50% of the above loans including interest to shares in OEG.

Convertible Notes

Binding commitments have been received from sophisticated and professional investors to subscribe for \$500,000 worth of Orpheus Notes, with the Company to issue up to 6,689,850 Notes each with a face value of \$0.10 per Note.

Pricing of the Notes was at a 20% discount to the price of the planned capital raising of \$0.01.

The notes attract a 10% interest coupon and a 5% utilization fee.

The face value of the Notes, interest and the utilization fee only become convertible into ordinary share in the Company on completion of the planned Backdoor listing and shareholders approve the conversion mechanism in Note Deed Poll for the purposes of ASX Listing Rule 7.1 and 10.11).

The Notes are to be subscribed in five equal instalments with instalments totalling \$330,000 having been received at balance date and the remaining instalment of \$170,000 due in July 2017.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	147
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	147

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Company Secretary)

Date: 31 July 2017

Print name: David Smith

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.