



Orpheus Energy Limited

ABN 67 121 257 412

Annual Report

for the year ended

30 June 2017

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Corporate Information

Orpheus Energy Limited

ACN 121257412

The shares of Orpheus Energy Limited ('the Company') were quoted on the official list of the Australian Security Exchange until 10 June 2015 when it was suspended pending re-listing.

The ASX code for the Company's ordinary fully paid shares is "OEG".

Directors

| | |
|-------------------|------------------------|
| Mr Wayne Mitchell | Executive Chairman |
| Mr Wesley Harder | Executive Director |
| Mr David Smith | Executive Director |
| Mr Michael Rhodes | Non-Executive Director |

Company Secretary

Mr David Smith

Chief Financial Officer

Mr Barry Neal

Registered Office and Principal place of business

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Sydney NSW 2000
Australia

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Security Exchange Listing

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Sydney NSW 2000
Australia: 1300 850 505
Overseas callers: +61 3 9415 4000
Facsimile: +61 3 9473 2500
Internet: www.computershare.com.au

Solicitors

HWL Ebsworth
Level 19
480 Queen Street
Brisbane Qld 4000

Auditors

Hall Chadwick
Level 40
2 Park Street
Sydney NSW 2000

Bankers

National Australia Bank Limited
105 Miller Street
North Sydney NSW 2060

Securities Exchange Listing

Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Chairman's Letter

Dear Fellow Shareholders

Over the last year, Orpheus (**the Company**) has continued to focus on two main activities: (a) proceeding with an alternative asset acquisition strategy to allow Orpheus to get re-listed; and (b) collecting monies owed by Nugroho Suksmanto, which amounted to approximately A\$7.6M as at end June 2017.

Regarding the alternative asset acquisition strategy, Orpheus announced in April that it had entered into an Acquisition Agreement to acquire 100% of the issued capital of SenSen Networks Pty Limited (**SenSen**). It is anticipated that the acquisition of SenSen will complete in early October 2017.

SenSen 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. SenSen is well-positioned to exploit global market growth and opportunities, and this proposed ASX backdoor listing through Orpheus will provide SenSen both the platform and access to capital markets to rapidly further develop the company.

Post reporting period, a General Meeting was held on 29 August 2017 for Orpheus shareholders to approve a range of acquisition related Resolutions with all being unanimously passed. Since then a Prospectus was issued, including offering Orpheus shareholders the opportunity to participate in a \$1.5M Share Purchase Plan, and thereby become a larger shareholder in SenSen, subject to the transaction being successfully completed.

In relation to the still outstanding receivable owed by Suksmanto, the Orpheus Board continued to pursue all avenues to recover the funds over the last 12 months. As advised in the Company's Half-Yearly Report, a formal offer to acquire the shares in PT Abadi Guna Papan (**AGP**), (a property development company whose shares were pledged as security) to recover a portion of the receivable for IDR35 billion was submitted to the Company and agreed to by the Board, subject to cash funds actually being received. This largely documentary process continues.

Finally, subject to the transaction successfully completing, this will be my final Chairman's Report and I want to thank shareholders for their support and patience over the last seven years and I wish everyone the best as SenSen shareholders under the new Board.



Wayne Mitchell
Executive Chairman

Summary of Activities

Alternative asset acquisition

As announced on 12 April 2017, Orpheus entered into a Share Purchase Agreement with all of the shareholders of SenSen. In the June 2017 Quarterly Report, Orpheus announced that the formal due diligence period had completed and 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, in exchange for the issue of shares in Orpheus.

As outlined in the 12 April 2017 ASX announcement, the acquisition of SenSen will constitute a change to the nature and scale of Orpheus's activities. Orpheus therefore needed 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.

Post reporting date, on 1 August 2017, OEG shareholders were sent a Notice of Meeting (**NOM**) setting out the various resolutions relating to the Acquisition, together with a detailed explanatory statement accompanying the NOM. At the General Meeting, on 29 August 2017, all Resolutions were unanimously passed. One of the Resolutions passed related to the consolidation of Orpheus shares on a 10 for 1 basis, and the Notification of the Consolidation was announced on 24 August 2017.

On 21 August 2017, a Prospectus was issued for the offer of 15,000,000 New Shares to eligible Orpheus shareholders under a Share Purchase Plan, up to 50,000,000 New Shares to eligible investors under a General Offer, and 273,764,706 Consideration Shares to the Vendors in consideration for the acquisition of all of the shares in SenSen. Subsequently, on 1 September 2017, a Replacement Prospectus was issued.

Debt Recovery Update

As announced in the June 2017 Quarterly Report, as at 30 June 2017, the total Receivable from Nugroho Suksmanto was IDR 70 billion Rupiah plus interest of IDR8.75 billion Rupiah (total 78.75 billion Rupiah or ~A\$7.6M) which remains unpaid.

The Company has continued to pursue the sale of shares in PT Abadi Guna Papan (**AGP**), (a property development company whose shares were pledged as security) to recover a portion of the Receivable. Any sale of the AGP shares will constitute settlement of the outstanding debt in full.

To that end, the Company has been in advanced negotiations with a potential acquirer of the AGP shares. A formal offer to acquire the AGP shares for IDR35 billion was submitted to the Company and has been agreed to by the Board, subject to cash funds actually being received. Under AGP's articles of association, any share sale must be approved by all shareholders.

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. In the event Suksmanto does not approve the sale of the AGP shares, Orpheus will continue negotiations and to pursue recovery of the Receivable in Indonesia. While other parties are also interested in acquiring the AGP equity, the current buyer represents the best deal for Orpheus.

Completion of Note Issue

As announced on 12 April 2017, one of the Conditions Precedent for the completion of the backdoor listing of SenSen into Orpheus required OEG to raise up to \$500,000 by way of a non-convertible note (Note) issue. Pricing of the Notes was at a 20% discount to the price of the Prospectus offers.

On 9 May 2017, the Company announced that it has received binding commitments from Sophisticated and Professional Investors to subscribe for \$500,000 worth of Notes, with the Company to issue up to 7,187,500 Notes each with a face value of \$0.10 cents per Note. Proceeds received from the Notes issue were used to fund the Company's legal costs (including Due Diligence Committee, Notice of Meeting and Prospectus preparation), Independent Expert and Investigating Accountant Reports, and regulatory costs of the transaction, as well as OEG's ongoing working capital requirements and other costs for maintaining the company's admission to the ASX, including Listing Fees, Registry Fees and statutory Audit costs.

Approval of Conversion of the Notes into Fully Paid Ordinary Orpheus Shares was received at the General Meeting held on 29 August 2017.

Corporate Governance Statement

Orpheus Energy Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Orpheus Energy Limited has reviewed corporate governance practices against the Corporate Governance Principles and Recommendation (3rd edition) (CGPR) published by the ASX Corporate Governance Council.

The 2017 corporate governance statement is dated as at 30 June 2017 and reflects the corporate governance practices in place throughout the financial year ending 30 June 2017. The corporate governance statement was approved by the Board on 27 September 2017. A description of the group's current corporate governance practices is set out in the group's corporate governance statement which is set out below and can also be viewed at (www.orpheusenergy.com.au).

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should establish and disclose the respective roles and responsibilities of the Board and management and how their performance is monitored and evaluated.

Recommendation 1.1

A listed entity should disclose

- (a) the respective roles and responsibilities of its Board and management; and
- (b) those matters expressly reserved to the Board and those delegated to management.

Disclosure

The relationship between the Board and senior management is critical to the Group's long-term success. The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The Company has a Board Charter approved by Directors which sets out the specific responsibilities of the Board which are:-

- ❖ appointment of the Chief Executive Officer/Managing Director and other senior executives and the determination of their terms and conditions including remuneration and termination;
- ❖ driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- ❖ reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- ❖ approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- ❖ approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- ❖ approving the annual, half yearly and quarterly accounts;
- ❖ approving significant changes to the organisational structure;
- ❖ approving the issue of any shares, options, equity instruments or other securities in the Company;
- ❖ ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision-making;
- ❖ monitoring progress in relation to the Company's diversity objectives and compliance with its diversity policy;
- ❖ recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- ❖ meeting with the external auditor, at their request, without management being present.

The Board has delegated to the Executive Chairman/Chief Executive Officer, and through that officer to other Senior Management, the authority and responsibility for managing the everyday affairs of the Company.

It is noted that following completion of the acquisition of SenSen, David Smith, who will remain a Director and each of the proposed new Directors, Subhash Challa, Zenon Pasiieczny and Jason Ko will carefully review the Board Charter and may update this as it deems necessary.

Corporate Governance Statement (continued)

Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Disclosure

Appropriate checks are undertaken prior to appointing a person as a Director and recommending that person for election. These include checks as to the person's character, experience, education, criminal record and bankruptcy history.

Candidates who the Board consider are suitable for appointment as Directors are appointed and stand for election at the next AGM, in accordance with the Constitution. The Company includes in the Notice of Meeting for the AGM all material information known to the Company which is relevant to a decision whether or not to elect or re-elect a Director. This information includes biographical information, details of other material directorships currently held by the candidate, any adverse information revealed by the checks performed, a statement as to whether in the Board's opinion the candidate will qualify as an independent director and a statement by the Board as to whether it supports the election or re-election of the candidate.

It is noted that each of Subhash Challa, Zenon Pasiieczny and Jason Ko will be appointed as new Directors of the Company on completion of the acquisition of SenSen. Such appointments were approved by Company Shareholders on 29 August 2017. As part of this approval process, all such material information was provided to Shareholders.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Disclosure

The Company has written agreements with each of the Directors and senior executives setting out the terms of their appointment.

It is noted that each of Subhash Challa, Zenon Pasiieczny and Jason Ko will be appointed as new Directors of the Company on completion of the acquisition of SenSen. Such appointments were approved by Company Shareholders on 29 August 2017. As part of this appointment process, the Company has entered into a written agreement with each of Subhash Challa, Zenon Pasiieczny and Jason Ko setting out the terms of their appointment effective on the completion of the acquisition of SenSen. A summary of these agreements is contained in the Prospectus issued by the Company and dated 1 September 2017.

Recommendation 1.4

The Company Secretary of a listed Company should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Disclosure

The Company Secretary is accountable directly to the Board through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary is responsible for facilitating good information flows within the Board and its committees and between senior executives and Directors, as well as the induction of new Directors and the ongoing professional development of all Directors.

Corporate Governance Statement (continued)

The Company Secretary is responsible for monitoring compliance with the Board's procedures and for advising the Board, through the chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board.

It is noted that following completion of the acquisition of SenSen, David Smith will remain the Company Secretary

Recommendation 1.5

A listed entity should:

(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

(1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.¹⁶

Disclosure and Departure

While the Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals, no decision has been made by the Board at this time to formulate a diversity policy.

The Board has not yet established objectives in relation to gender diversity but is committed to a continuation of current employment practices where employees are selected on merit. The aim is to achieve greater gender diversity in director and senior executive positions as they become vacant and appropriately skilled candidates become available.

It is noted that following completion of the acquisition of SenSen, David Smith, who will remain a Director and each of the proposed new Directors, Subhash Challa, Zenon Pasieczny and Jason Ko, will reconsider this recommendation and may take steps to implement a diversity policy.

Recommendation 1.6

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process

Disclosure and Departure

The Board currently has no formal procedure for evaluation of its Board, committee and Directors. The Board considers that it is functioning effectively given its composition and a formal procedure is not required at this stage. While no formal performance evaluation was undertaken during the reporting period, the Chairman continually monitors the performance of the Board.

Selection and (Re) Appointment of Directors Candidates for the Board are considered and selected by reference to a number of factors, which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the following general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each Director, other than the Executive Chairman, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment, or three years following that Director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company.

Corporate Governance Statement (continued)

At each annual general meeting a minimum of one Director, or a third of the total number of Directors, must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting.

It is noted that following completion of the acquisition of SenSen, David Smith, who will remain a Director and each of the proposed new Directors, Subhash Challa, Zenon Pasieczny and Jason Ko may implement a process for periodically evaluating the performance of the Board, its committees and individual Directors.

Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Disclosure and Departure

The Company does not have a formal process for periodically evaluating the performance of its Senior Executives. However the Chief Executive Chairman monitors the performance of senior executives.

It is noted that following completion of the acquisition of SenSen, David Smith, who will remain a Director and each of the proposed new Directors, Subhash Challa, Zenon Pasieczny and Jason Ko may implement a process for periodically evaluating the performance of its senior executives.

PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE

Recommendation 2.1

The Board of a listed entity should:

(a) have a nomination committee which:

- (1) has at least three members, a majority of whom are independent Directors; and
 - (2) is chaired by an independent director. and disclose
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) If it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Disclosure and Departure

The Company does not have a Nomination Committee as the Directors believe that size of the Company and the Board does not warrant the formation of such committee. All Board nomination matters are considered by the whole Board.

The Board oversees the appointment and induction process for Directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.

It is noted that following completion of the acquisition of SenSen, David Smith, who will remain a Director and each of the proposed new Directors, Subhash Challa, Zenon Pasieczny and Jason Ko, will reconsider this recommendation and may take steps to implement a nomination committee.

Recommendation 2.2

A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

Corporate Governance Statement (continued)

Disclosure and Departure

The Company currently does not have a Board "skills matrix". Given the size and scope of the Company's operations, and its exploration and development stage, the Board considers that it is appropriately-structured, with a suitable mix of skills and expertise, relevant to the Company's current business. However, the Board is cognisant that, as the Company expands and develops its activities, the Board will be required to review and restructure its composition to meet the specific expertise and skill requirements to progress the Company to meet its objectives moving forward.

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report of this Annual Report.

It is noted that following completion of the acquisition of SenSen, David Smith, who will remain a Director and each of the proposed new Directors, Subhash Challa, Zenon Pasieczny and Jason Ko, will reconsider this recommendation and may take steps to implement a skills matrix.

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the Directors considered by the Board to be independent Directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and
- (c) the length of service of each director.

Disclosure and Departure

As at 30 June 2017 the Board comprised 3 executive Directors including the Chairman and one non-executive director, none of whom are independent as disclosed below.

| Director | Reason for Non-Independent Classification |
|----------------|--|
| Wayne Mitchell | Engaged as Chief Executive Officer of the Company from 30/11/2010-present |
| David Smith | A substantial shareholder and a director of the Company from 18/8/2011-present |
| Wesley Harder | Employed as Exploration Manager and is an executive director of the Company from 30/11/2010-present |
| Michael Rhodes | Managing Director of the Company's Indonesian subsidiary PT Orpheus Indonesia from 1/10/2012-present |

Even though the members of the Board are not independent, the persons on the Board can and do make independent judgements in the best interests of the Company at all times.

It is noted that following completion of the acquisition of SenSen, the Board will comprise the following:

| Director | Reason for Non-Independent Classification |
|-----------------|---|
| Subhash Challa | Will be engaged as executive chairman on and from completion of the acquisition of SenSen. Subhash Challa is also a substantial shareholder. |
| David Smith | A former substantial shareholder and a director of the Company from 18/8/2011-present |
| Zenon Pasieczny | Will be engaged as an executive director on and from completion of the acquisition of SenSen. Zenon Pasieczny is also a substantial shareholder. |
| Jason Ko | Will be engaged as a non-executive director on and from completion of the acquisition of SenSen. Jason will be non-independent on the basis that he is a non-executive director of Speedshield Technologies Pty Ltd, the sole and exclusive distributor of the SenSen platform, SenDISA. |

Corporate Governance Statement (continued)

Even though the proposed new members of the Board are not independent, the persons on the new Board will be able to make independent judgements in the best interests of the Company at all times.

Statement concerning availability of independent professional advice

To assist Directors with independent judgement it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chairman for incurring such an expense, the Company will pay the reasonable expenses associated with obtaining such advice.

The length of service of each Director is as follows:

| Dates | Board Members | Independent/Non-Independent |
|--|-----------------|-----------------------------|
| 30/11/2010-current (resignation will become effective on completion of the acquisition of SenSen) | Wayne Mitchell | Non-Independent |
| 18/8/2011-current (will remain a Director) | David Smith | Non-Independent |
| 30/11/2010-current (resignation will become effective on completion of the acquisition of SenSen) | Wesley Harder | Non-Independent |
| 1/10/2012-current (resignation will become effective on completion of the acquisition of SenSen) | Michael Rhodes | Non-Independent |
| Will be engaged as a Director on and from completion of the acquisition of SenSen | Subash Challa | Non-Independent |
| Will be engaged as a Director on and from completion of the acquisition of SenSen | Jason Ko | Non-Independent |
| Will be engaged as a Director on and from completion of the acquisition of SenSen | Zenon Pasieczny | Non-Independent |

As disclosed in 2.3 none of the Directors or proposed Directors of the Company are independent.

The Board supports the appointment of Directors who bring a wide range of business and professional skills and experience to the Company. Directors are appointed in accordance with the constitution of Orpheus Energy Limited, and are appointed for a period of three years or until the third annual general meeting following his or her appointment (whichever is longer).

Recommendation 2.4

A majority of the Board of a listed entity should be independent Directors.

Disclosure and Departure

No current or proposed members of the Board are Independent Directors.

Corporate Governance Statement (continued)

Even though none of the Board are not independent, the Board considers that it acts in the best interests of the Company and its security holders.

Following completion of the acquisition of SenSen, the Company intends to identify and appoint additional independent directors to the Board.

Recommendation 2.5

The chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Disclosure and Departure

The Executive Chairman of the Company, Mr Wayne Mitchell, is not an Independent Director and is the CEO. He contributes to a culture of openness and constructive challenge that allows for a diversity of views to be considered by the Board.

Following completion of the acquisition of SenSen, the proposed new Executive Chairman of the Company, Subhash Challa, is also not an Independent Director.

Recommendation 2.6

A listed entity should have a programme for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Disclosure and Departure

An induction programme for new Directors of the Company is being considered but does not currently exist. Each Director of the Company has the right to seek independent professional advice at the expense of the Company, and the Company provides appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. Prior approval of the Chairman is required, but this will not be unreasonably withheld.

PRINCIPLE 3- ACT ETHICALLY AND RESPONSIBLY

A listed entity should act ethically and responsibly.

Recommendation 3.1

A listed entity should:

- (a) have a code of conduct for its Directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

Disclosure and Departure

The consolidated entity recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics. All Directors and employees are required to act in accordance with the law and with the highest standard of propriety.

The Company does not yet have a formal Code of Conduct setting out its core values. However the Company requires that each director and officer of the Company must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdiction in which the Company operates.

Contractors and others employed by the Company should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company.

The practices of the Board are aimed at promoting ethical and responsible decision making. The Board strives for good corporate governance and industry best practice. It specifically requires Directors and employees to:

- avoid situations which may give rise to a conflict of interest;
- avoid situations where they may gain any benefit which competes with the Company's business;
- read and confirm that they understand the Company's policies;
- comply with laws and regulations;
- properly use the Company's assets for legitimate business purposes; and
- maintain confidentiality in both the Company's business and the information of its clients and shareholders.

Corporate Governance Statement (continued)

Each director is required to disclose any interest which might create a potential conflict of interest with his or her duties as a director or which might affect their independence.

There must be no conflict, or perception of a conflict, between the interests of any Company director, officer or employee and the responsibility of that person to the stakeholders. All Directors, officers and employees may never improperly use their position for personal or private gain to themselves, a family member, or other associated person. Where a potential conflict exists, this should be disclosed to the Chairman prior to any dealings taking place.

It is noted that following completion of the acquisition of SenSen, David Smith, who will remain a Director and each of the proposed new Directors, Subhash Challa, Zenon Pasieczny and Jason Ko, will reconsider this recommendation and may take steps to implement a formal Code of Conduct.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1

The Board of a listed entity should:

(a) have an audit committee, which:

- (1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and
 - (2) is chaired by an independent director, who is not the chair of the Board, and disclose:
 - (3) the charter of the committee;
 - (4) the relevant qualifications and experience of the members of the committee; and
 - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processing for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Disclosure and Departure

The Company is not fully compliant with this principle. The audit and risk committee has a non-independent chairman Michael Rhodes, and two executive Directors, Wayne Mitchell and Wesley Harder. The Details of these Directors' qualifications and attendance at audit committee meetings are set out in the Directors' Report of the Annual Report under the heading "Directors' Meetings".

Members of the Committee have relevant qualification and experience in financial matters and have a good understanding of the industry in which the Company operates.

The Audit & Risk Committee plays a key role in assisting the Board with its responsibilities relating to accounting, internal control systems, reporting practices and risk management, and ensuring the independence of the Company auditor. The terms of reference for the committee incorporate policies and procedures to ensure an effective focus from an independent perspective.

The Audit & Risk Committee oversees and appraises the quality of the audits conducted by the auditors and emphasises areas where the Committee believes special attention is required. The external auditors are Hall Chadwick. Hall Chadwick's appointment will be reviewed periodically in line with industry best practice. The Board believes in the ongoing assessment of our audit arrangements and will comply with any regulatory requirements to rotate the Company's external audit partner.

The Audit & Risk Committee also reviews the effectiveness of administrative, operating and accounting controls.

It is noted that following completion of the acquisition of SenSen, the audit and risk committee members will be revised as Michael Rhodes, Wayne Mitchell and Wesley Harder will no longer be Directors of the Company.

Recommendation 4.2

The Board of a listed entity should, before it approves the entity's financial statements for financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Corporate Governance Statement (continued)

Disclosure

Before it approves the Company's financial statements for a financial period, the Board receives from its Managing Director and CFO a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with appropriate accounting standards. The declaration also states that the financial records give a true and fair view of the financial position and performance of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Disclosure

The Company makes sure that its external auditor, Hall Chadwick, is invited to and attends its Annual General Meeting (AGM) each year and is available to answer questions that are relevant to the audit. At the Company's last AGM held on 3 November 2016, a Partner from Hall Chadwick Chartered Accountants attended and was available to answer questions.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

Disclosure

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

The Board is committed to complying with continuous disclosure requirements and issues announcements to the ASX on matters that may have a material effect on the Company's securities.

The Company's continuous disclosure policy is designed to meet market best practice, ensuring that all interested parties have an equal opportunity to obtain information which is issued by the Company.

Orpheus Energy's ASX announcements are also posted on the Company's website and emailed to shareholders who have subscribed to the Company's email alerts.

It is noted that following completion of the acquisition of SenSen, David Smith, who will remain a Director and each of the proposed new Directors, Subhash Challa, Zenon Pasiieczny and Jason Ko, will reconsider this recommendation and may take steps to revise these policies.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Disclosure

The Company provides information about itself and its governance to investors via its website www.orpheusenergy.com.au. The names, photographs and brief biographical information for each of the Company's Directors and senior executives can be found under the Corporate Overview section of the website.

The Company has included on the "Investors" section of its website links to copies of its ASX announcements, Financial Reports, Research Reports, Analyst Briefings and Shareholder Information.

Procedures have also been established for reviewing whether any material price-sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

Corporate Governance Statement (continued)

The Contacts' section of the Company's website also holds shareholder services such as the Share Registry's contact details. The Company's contact details can also be found on the website.

It is noted that following completion of the acquisition of SenSen, the website will be updated to www.sensennetworks.com on the basis that the Company name will be revised to SenSen Networks Limited.

Recommendation 6.2

A listed entity should design and implement an investor relations programme to facilitate effective two-way communication with investors.

Disclosure

The Company does not have a formal investor relations programme. However the Company actively engages with security holders, meets with them upon request and responds to any enquiries. The Company also has ad hoc interaction with brokers, institutional investors, analysts and financial media.

It is anticipated that this position will continue post completion of the SenSen acquisition.

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Disclosure and Departure

The Company has no formal process in place to facilitate and encourage participation at meeting of security holders. Shareholders are however encouraged to participate at general meetings.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Disclosure

Security holders can email or otherwise contact the Company by visiting the 'Contacts section of the website where they can also find the Share Registry's electronic and other contact details.

It is noted that following completion of the acquisition of SenSen, the website will be updated to www.sensennetworks.com on the basis that the Company name will be revised to SenSen Networks Limited.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1

The Board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent Directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Disclosure and Departure

The Company has a combined audit and risk committee, the membership of which is not fully compliant with this principle. The audit and risk committee has a non-independent chairman, and two executive Directors. The

Corporate Governance Statement (continued)

members of the committee have the necessary technical knowledge and understanding of the industry in which the entity operates to be able to discharge the committee's mandate effectively.

The Details of these Directors' qualifications and attendance at audit committee meetings are set out in the Directors' Report of the Annual Report under the heading "Directors' Meetings".

The Board has disclosed the Charter of the Committee, which may be found on the Company's website under the section marked "About Us". A summary of the Company's Risk Management objectives can also be found in this section. The members of the Committee are Messrs Rhodes, Harder and Mitchell. The Committee held 2 meetings during the Reporting Year.

The table set out in the Directors' Report of this Annual Report under the heading "Directors' Meetings" shows the members' attendance at Committee meetings.

It is noted that following completion of the acquisition of SenSen, the audit and risk committee members will be revised as Michael Rhodes, Wayne Mitchell and Wesley Harder will no longer be Directors of the Company.

Recommendation 7.2

The Board or a committee of the Board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

Disclosure

The Board, and the Audit and Risk Management Committee, review the Company's risk management framework at least annually to satisfy itself that it continues to be sound, and such a review was carried in the past financial year.

The Board has required management to implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively.

It is noted that following completion of the acquisition of SenSen, the audit and risk committee members will be revised as Michael Rhodes, Wayne Mitchell and Wesley Harder will no longer be Directors of the Company.

Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Disclosure and Departure

The Company does not have an internal audit function disclose. The processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes include the fact that individual Directors claims for expenses are approved by the Board.

It is proposed that a member of the Audit and Risk Management Committee periodically review the Company's controls and spot-checks that the necessary procedures have been followed.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Disclosure

The Company discloses its material exposure to economic, environmental and social sustainability risks, and how it manages those risks in ASX announcements and in its Annual Report.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

A listed entity should pay director remuneration sufficient to attract and retain high quality Directors and design its executive remuneration to attract retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Corporate Governance Statement (continued)

Recommendation 8.1

The Board of a listed entity should:

(a) have a remuneration committee which:

- (1) has at least three members, a majority of whom are independent Directors; and
- (2) is chaired by an independent director, and disclose:
- (3) the charter of the committee;
- (4) the members of the committee; and
- (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Departure

The Company has not established a separate Remuneration Committee with the Board considering Board nomination matters. Given the current size and composition of the Company, the Board is unable to meet the requirement that a separate Remuneration Committee is established consisting of a majority of Independent Directors and chaired by an independent Chair.

The Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee, and accordingly, the remuneration functions have been delegated to the Board. The Board deals with any conflicts of interest that may occur when acting in the capacity of the Remuneration Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.

The processes the Company employs for setting the level and composition of remuneration for Directors and senior executives, and ensuring that such remuneration is appropriate and not excessive are disclosed in the Remuneration Report in the Company's Annual Report.

It is noted that following completion of the acquisition of SenSen, David Smith, who will remain a Director and each of the proposed new Directors, Subhash Challa, Zenon Pasieczny and Jason Ko, will reconsider this recommendation and may take steps to implement a Remuneration Committee.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

Disclosure

Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. From time-to-time the Company may grant options to Non-Executive Directors. The grant of options is designed to recognise and reward efforts, as well as to provide Non-Executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Remuneration and bonuses for Executive Directors and Senior Executives consist of a base salary, and may consist of performance incentives. Long-term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered competitive base salaries at market rates, which are reviewed to ensure market competitiveness.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

Disclosure

As at 30 June 2017 the Company had an equity-based remuneration scheme (**Company Employee Incentive Scheme**) and no incentives were on issue in the Company Employee Incentive Scheme.

On 27 September 2017 the Company Employee Incentive Scheme was terminated by the Board pursuant to its terms.

Corporate Governance Statement (continued)

Throughout the period the Company Employee Incentive Scheme was in effect, the Company also had a policy that provided that participants are not permitted to enter into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of participating in the scheme.

The Company intends on implementing a new Company Employee Incentive Scheme following completion of the SenSen acquisition. It is intended that the new Company Employee Incentive Scheme will be put to Shareholders for approval as an exception to ASX Listing Rule 7.1.

Directors' Report

The Directors of Orpheus Energy Limited present their report on the Company and its controlled entities for the financial year ended 30 June 2017.

Directors

The names of directors in office during or since the end of the financial year are:

Mr Wayne Mitchell, Executive Chairman, CEO and Managing Director

Mr David Smith, Executive Director

Mr Wesley Harder, Executive Director & Exploration Manager

Mr Michael Rhodes, Non-executive Director

Mr Wayne Mitchell

Executive Chairman, CEO and Managing Director

Qualifications: AASA, AAIM

Experience: Mr Wayne Mitchell is a qualified accountant with over 30 years of extensive senior management experience in the natural resource sector; both in Australia and in Southeast Asia. In the early 1970's, Mr Mitchell and two partners were the initial promoters and developers of Thailand's major zinc deposit located at Mae Sot, Northern Thailand. This resource is now owned and operated by a Thai public company Padaeng Industry Company Ltd. Mr Mitchell specializes in the areas of financial planning, fund raising and project evaluation.

He is also a past Chairman of listed company Central Victorian Gold Mines N.L and a past director of Diversified Mineral Resources NL where he initiated and led the project team for the Burton Downs Coal project taken over by Portman Mining before being sold for more than \$200 million. Mr Mitchell was a co-founder and chairman of Coalworks, which was acquired by Whitehaven Coal.

Special responsibilities: Member of the Audit and Risk Committee

Interest in shares and options: 15,264,210 ordinary shares and nil options over ordinary shares

Other current Directorships: Nil

Mr David Smith

Executive Director

Qualifications: B Econ, Dip Mgmt – Exec MBA

Experience: Mr Smith was previously an investment banker with more than 15 years' experience, working in both the capital markets and M & A globally, having worked at JPMorgan Chase, Ord Minnett and BBY Limited. Mr Smith was regularly ranked as one of the Top 10 Australian Investment Bankers in annual surveys, and raised more than \$4 billion for corporate clients.

With an extensive background in advising companies across all sectors, including technology, industrials and resources, Mr Smith has been integrally involved in the evolution of numerous emerging companies into multi-billion dollar enterprises.

Mr Smith is a Non-Executive Director of RAW Capital Partners Holdings Limited, a UK based, international asset management business and a Non-Executive Director of South Western Wireless, an emerging Australian telecommunications company.

Special responsibilities: Company Secretary

Interest in shares and options: 36,500,000 ordinary shares and nil options over ordinary shares

Other current Directorships: Nil

Directors' Report

Mr Wesley Harder

Executive Director and Exploration Manager

Qualifications: B Sc, Dip SIA, M Aus IMM

Experience: Mr Harder is a former coal analyst with Jackson Ltd, stockbrokers, and has also worked with a number of other stockbrokers, including Ord Minnett and Frank Renouf. He has also worked as a field exploration geologist for fifteen years in Australia and its near neighbours including Sumatra and Irian Jaya in Indonesia, mainland Papua New Guinea and New Britain Island, many parts of the Solomon Islands and Fiji.

In Australia he worked in New South Wales, Queensland, The Northern Territory and Tasmania. He has worked in tropical and arid environments searching for a range of mineral commodities including coal, gold, copper and uranium for companies including Newmont Mining Inc., Placer Prospecting Ltd, Pancontinental Mining Limited and Gujarat NRE Coking Coal Ltd. Mr Harder was a Founding Director & CEO of Zinico Resources NL and its successors for 5 years and Mr Harder was a founding shareholder of Coalworks.

Special responsibilities: Exploration Manager and Member of the Audit and Risk Committee.

Interest in shares and options: 6,452,823 ordinary shares and nil options over ordinary shares

Other current Directorships: Nil

Mr Michael Rhodes

Non-executive Director

Qualifications:

Experience: Mr Rhodes is a highly experienced drilling engineer having worked around the world including South East Asia and the Middle East. Mr Rhodes has lived and worked in Indonesia for over 20 years and previously established a successful infrastructure and logistics company in Balikpapan.

Special responsibilities: Chairman of the Audit and Risk Committee

Interest in shares and options: 4,277,833 ordinary shares

Other current Directorships: Nil

Company Secretary

Mr David Smith B Econ, Dip Mgmt – Exec MBA

Principal Activity

The principal activities of the Group were acquiring, exploring and developing coal infrastructure projects in Indonesia. However with the sale of Orpheus's Indonesian coal assets as disclosed in the 2014 Annual Report and the relinquishment of Australian exploration tenements, the Group is no longer involved in exploration and mining.

Orpheus is progressing with a an acquisition which has received regulatory approval and has also been approved by shareholders at a General Meeting held on 29 August 2017.

As the nature of the Company's business will change when the acquisition is completed, the Company is consulting with the ASX on the proposed takeover and relisting.

Directors' Report

Dividends

No dividends have been declared in the 2017 financial year (2016: no dividend declared).

Summary of Activities

Information on the operations of the groups, its business strategies and prospects is set out in the summary of activities on page 5 of the annual report.

Operating Results

The Group's net profit after tax (NPAT) was \$447,277 (2016: Loss of \$427,579). The profit for the year included an income tax benefit of \$522,418, a reversal of impairment of receivables of \$233,555, and a debt forgiveness of \$268,202.

Shares and Options

No shares were issued during the reporting year and at 30 June 2017 there were no unquoted and unexpired options

Significant changes in the state of affairs

Settlement Agreement with Nugroho Sukmanto

See the Summary of Activities.

Alternative asset acquisition strategy

See the Summary of Activities.

Matters subsequent to the end of the financial year

Acquisition of SenSen Networks Pty Ltd (SenSen)

On 29 August 2017 a General Meeting was held seeking shareholder approval of resolutions for the acquisition of SenSen. All resolutions were passed on a show of hands.

The resolutions passed were as follows:-

- Approval of the change in nature and scale of activities;
- Approval of the consolidation of the Company's issued capital 10:1;
- Approval of the issue of 273,764,706 consideration shares to vendors;
- Approval of the issue of shares to raise up to \$1.5 million pursuant to capital raising (Share Purchase Plan Offer)'
- Approval of the issue of shares to raise up to \$5 million pursuant to the capital raising (General Offer);
- Appointment of new Directors Subash Challa, Zenon Pasieczny and Jason Ko;
- Approval of conversion of directors' loans to shares;
- Approval of conversion of Notes to shares; and
- Approval of change of company name to SenSen Networks Limited

On 21 August 2017, a Prospectus was issued for the offer of 15,000,000 New Shares to eligible Orpheus shareholders under a Share Purchase Plan, and up to 50,000,000 New Shares to eligible investors under a General Offer, and 273,764,706 Consideration Shares to the Vendors in consideration for the acquisition of all of the shares in SenSen.

Subsequently, on 1 September 2017, a Replacement Prospectus was issued.

On 14 September 2017, a Supplementary Prospectus was lodged with ASIC at which time the Company had received indicative bids in excess of the General Offer Maximum Subscription. The SPP Offer was being extended to allow additional time for Eligible Shareholders to participate in the SPP Offer. The Vendor Offer was also being extended to allow additional time for the final Vendor Offer Application Forms to be received by the Company.

On 25 September 2017, a Second Supplementary Prospectus was lodged with ASIC at which time the Vendor Offer was closed, and General Offer was closed and had been fully subscribed up to the General Offer Maximum Subscription.

Directors' Report

The SPP Offer was extended:

- (a) to allow additional time for Eligible Shareholders to participate in the SPP Offer;
and
- (b) to allow time for the ASX Listing Committee to confirm its decision in regards to the look through relief application and the number of Vendors who will subject to ASX imposed escrow under Chapter 9 of the ASX Listing Rules.

Completion of the SPP Offer, General Offer and Vendor Offer is conditional, amongst other things, on the Subscription Amount being received under the SPP Offer.

The Company notes that pursuant to the terms of the Prospectus, in the event the SPP Offer is not subscribed to the Subscription Amount by Eligible Shareholders, the Company reserves the right to place the shortfall of the SPP Offer in its discretion. The closing date of the SPP has been extended to 13 October 2017.

Convertible Notes

On various dates in July and August 2017 the last instalments totalling \$170,000 due from investors under the \$500,000 Orpheus Note issue were received. The convertible Notes are to be converted into Shares in the Company on completion of the SenSen acquisition.

There are no other matters subsequent to the end of the financial year.

Likely developments and review of operations

Comments on review of operations of the Group are included in the annual report under summary of activities on page 5.

Further information on likely developments in the operations of the Group and the expected result of operations have not been included in the annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group, apart from the announced activities related to the transaction with SenSen.

Environmental regulations

The Group is subject to environmental regulations in Australia and in foreign countries where it operates. To the best of the Directors' knowledge, all activities have been undertaken in compliance with these environmental regulations.

Directors' Meetings

The Company held 8 Directors' meetings during the year and 2 Audit and Risk Committee meetings. The attendances of the directors in office during the year at meetings of the Board and Committees were:

| Director | Board of Directors | | Audit and Risk Committee | |
|----------------|---------------------------|-----------------|---------------------------|-----------------|
| | Number Eligible to attend | Number Attended | Number Eligible to attend | Number Attended |
| Wayne Mitchell | 8 | 8 | 2 | 2 |
| David Smith | 8 | 8 | - | - |
| Wesley Harder | 8 | 8 | 2 | 2 |
| Michael Rhodes | 8 | 8 | 2 | 2 |

Remuneration Report (Audited)

Directors are pleased to present Orpheus Energy Limited's 2017 remuneration report which sets out remuneration information for the Company's executive directors, non-executive directors and other key management personnel.

(a) Details of Directors and Key Management Personnel during the year ended 30 June 2017

| | |
|----------------|---|
| Wayne Mitchell | Chairman, Chief Executive Officer and Managing Director |
| David Smith | Executive Director Company Secretary |
| Wesley Harder | Director, Exploration Manager Company Secretary |
| Michael Rhodes | Non-executive Director |
| Barry Neal | Chief Financial Officer |

(b) Remuneration governance

The Company does not have a remuneration committee with remuneration decisions made by the Board on:-

- The over-arching executive remuneration framework
- Operation of the incentive plans which apply to the executive team including key performance indicators and performance hurdles
- Remuneration levels of executive directors and the key management personnel, and
- Non-executive director fees

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

(c) Executive remuneration policy and framework

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable enabling the company to attract and retain key talent
- aligned to the Company's strategic and business objectives and the creation of shareholder value
- acceptable to shareholders

The executive remuneration framework has three components

- base pay and benefits, including superannuation;
- short-term incentives (STI's) - cash bonuses; and
- long-term incentives (LTI's) through participation in the Orpheus Employee Option Plan.

The payment of STI's and LTI's is conditional on the achievement of set performance criteria.

(d) Long-term incentives (LTIs)

The establishment of the Orpheus Long Term Incentive Plan (LTI) was approved by shareholders at the 2013 annual general meeting (AGM). The Plan is designed to provide long-term incentives for employees including directors to deliver long-term shareholder returns. Under the Plan, participants are granted options which only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

Options granted under the Plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

(e) Non-executive Director remuneration policy

Non-executive Directors receive director's fees plus superannuation contributions to a complying fund. Non-executive Directors may receive performance based pay incentives through participation in the Orpheus Employee Option Plan.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration advisor.

(f) Shareholder approved directors' fees pool

The maximum annual aggregate directors' fee pool limit is \$200,000 and was approved by shareholders at the 2010 annual general meeting held on 30 November 2010.

Remuneration Report (Audited)

The following Directors' fees were payable in the reporting year but not paid:

| | 2017 \$ | 2016 \$ |
|---|------------|------------|
| Directors fees including superannuation contributions (SGL) | - | 11,667 |

(g) Voting and comments made at the company's 2016 Annual General Meeting

Orpheus Energy Limited received more than 80% of 'yes' votes on its remuneration report for the 2016 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

(h) Details of Remuneration

The following tables show details of Directors' remuneration accrued but not paid at year end by the Directors and the key management personnel of the Group for the current and previous financial years

| 2017 | Short term employee benefits | | | Post-Employment Benefit | Long Term | Share-based payments | Total |
|--|------------------------------|--------|-----------------|-------------------------|--------------------|----------------------|---------|
| | Directors Fees | Salary | Consulting Fees | Super-annuation | Long Service Leave | Options | |
| Name | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | | |
| W. Mitchell | - | - | - | - | - | - | - |
| D. Smith* | - | - | 72,000 | - | - | - | 72,000 |
| W. Harder | - | - | - | - | - | - | - |
| M. Rhodes | - | - | - | - | - | - | - |
| Other Key Management Personnel ** | | | | | | | |
| B. Neal (CFO) | - | - | 50,101 | - | - | - | 50,101 |
| | - | - | 122,101 | - | - | - | 122,101 |

* Consulting fees accrued and not paid

Service agreement with Directors and the CFO were suspended in August 2015 pending reorganization of the Company

| 2016 | Short term employee benefits | | | Post-Employment Benefit | Long Term | Share-based payments | Total |
|--|------------------------------|--------|-----------------|-------------------------|--------------------|----------------------|---------|
| | Directors Fees | Salary | Consulting Fees | Super-annuation | Long Service Leave | Options | |
| Name | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors * | | | | | | | |
| W. Mitchell | 4,167 | 16,667 | 12,000 | 1,979 | - | - | 34,813 |
| D. Smith | 2,500 | 15,833 | 65,333 | 1,742 | - | - | 85,408 |
| W. Harder | 2,500 | 11,250 | - | 1,306 | - | - | 15,056 |
| M. Rhodes | 2,500 | 12,164 | - | 238 | - | - | 14,902 |
| Other Key Management Personnel ** | | | | | | | |
| B. Neal (CFO) | - | - | 55,610 | - | - | - | 55,610 |
| | 11,667 | 55,914 | 132,943 | 5,265 | - | - | 205,789 |

* All Directors' fees, salary and consulting fees were accrued and not paid

** Amount paid \$20,800 with balance accrued

Service agreement with Directors and the CFO were suspended in August 2015 pending reorganization of the Company

(j) Details of share-based payments

No options were issued in the reporting year and no shares have been issued as a result of the exercise of options granted as compensation to key management personnel during the years ended 30 June 2017 and 30 June 2016.

(k) Equity instruments held by key management personnel

There are no options over ordinary shares held by key management personnel at balance date (2016: Nil) and no shares or options granted during the reporting period as compensation.

Remuneration Report (Audited)

(n) Shareholdings

| 2017 and 2016 | Balance at start of year | Changes during the year | Balance held at end of the year |
|------------------|--------------------------|-------------------------|---------------------------------|
| Directors | | | |
| Wayne Mitchell | 15,264,210 | - | 15,264,210 |
| David Smith | 36,500,000 | - | 36,500,000 |
| Wesley Harder | 6,452,824 | - | 6,452,824 |
| Michael Rhodes | 4,277,833 | - | 4,277,833 |
| Total | 62,494,867 | - | 62,494,867 |

(r) Loans from key management personnel

Directors have extended short term loans to the Company with interest payable at the rate charged by Westpac Banking Corporation on business overdrafts exceeding \$100,000 on less 0.5%. This has been calculated as 7.33%.

At 30 June 2017 Directors loans outstanding were \$686,569 which includes interest accrued of \$30,781.

Aggregates for key management personnel

| | Balance at start of the year | Received during the year | Interest payable for the year | Balance at end of the year | Number in group at the end of the year |
|------|------------------------------|--------------------------|-------------------------------|----------------------------|--|
| 2017 | 681,327 | - | 5,241 | 686,568 | 3 |

Aggregate amounts of the above transactions with key management personnel of the Group

| | 2017 | 2016 |
|---|----------------|----------------|
| | \$ | \$ |
| Amounts recognised as expenses | | |
| Interest | 5,241 | 9,293 |
| Aggregate amounts payable to key management personnel of the Company at the end of the reporting period relating to the above types of transactions: | | |
| Current liabilities | 343,284 | 681,327 |
| Non-current liability | 343,284 | - |
| | 686,568 | 681,327 |

End of Remuneration Report (Audited)

Directors' Report

Auditor Independence

The directors received a declaration from the auditor of Orpheus Energy Limited which is appended to this report.

Non-Audit Services

There were no non-audit services provided by Hall Chadwick, the current auditor of the Company.

Indemnifying and Insurance of Directors and Officers

During or since the end of the previous financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors and key management personnel of the Company as named above, the Company Secretary, and all executive officers of the Company against any liability incurred as such by Directors, the Secretary or Executive Officers to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

This report has been made in accordance with a resolution of directors.



Wayne Mitchell, Chairman
27 September 2017

**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
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

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

Nell Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

Graham Webb

GRAHAM WEBB
Partner
Dated: 27 September 2017

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Accounting Firms

 **PrimeGlobal**

ORPHEUS ENERGY LIMITED
ABN 67 121 257 412
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ORPHEUS ENERGY LIMITED AND CONTROLLED ENTITIES

SYDNEY

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Sydney NSW 2000
Australia

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Opinion

We have audited the financial report of Orpheus Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2017, 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 year then ended and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

- (a) the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Consolidated Entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Accounting Firms



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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|--|--|
| <p>Going Concern</p> <p>Refer to Note 1(c) for the going concern basis</p> <p>The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal trading activities and realisation of assets and settlement of liabilities in the normal course of business.</p> <p>The Consolidated Entity had a deficiency of net assets amounting to \$2,557,408 as at 30 June 2017.</p> <p>The ability of the Consolidated Entity to continue as a going concern is dependent on completion of its planned capital raising, the acquisition of SenSen Networks Pty Ltd; and to receive the funds owing from the sale of its Indonesian exploration/mining assets.</p> <p>This matter was considered a Key Audit Matter because the company currently has no revenue stream and it is reliant on the above matters in order to continue as a going concern.</p> | <p>Our procedures included amongst others the following:</p> <ul style="list-style-type: none"> • We obtained the cash flow forecast prepared by management for the period until 30 September 2018. • We assessed the underlying assumptions and inputs to the cash flow forecast. • We discussed the key assumptions used in the cash flow forecast with management. • We reviewed the appropriateness of the going concern disclosures in the financial statements. • We assessed the status of the acquisition of SenSen Networks Pty Ltd including shareholder approvals and the funds raised up until the date of this report. |

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Other Information

The directors are responsible for the other information. The other information comprises the information in the Consolidated Entity's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards and the Corporations Act 2001 and for such internal control as directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standards AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in pages 23 to 25 of the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the remuneration report of Orpheus Energy Limited for the year ended 30 June 2017 complies with s 300A of the *Corporations Act 2001*.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

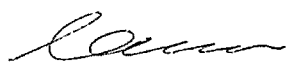


GRAHAM WEBB
Partner
Date: 27 September 2017

Directors' Declaration

In accordance with a resolution of the Directors of Orpheus Energy Limited, the Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 34-60.
 - a) comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group;
2. 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; and
3. the Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.



Wayne Mitchell
Chairman

27 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income FOR THE YEAR ENDED 30 JUNE 2017

| | Note | Consolidated | |
|---|-------|-----------------|------------------|
| | | 2017 \$ | 2016 \$ |
| Revenue | | | |
| Other revenue | 4 | 637,322 | 444,550 |
| Expenses | | | |
| Consultancy and professional fees | | (164,416) | (174,988) |
| Employment and related costs | | (48,489) | (146,043) |
| Insurance expenses | | (20,336) | (16,771) |
| Legal expenses | | (1,050) | (176,452) |
| Depreciation and amortisation expense | | (1,012) | (14,476) |
| Finance costs | | (35,217) | (10,320) |
| Lease rental expenses and occupation costs | | (6,108) | (42,566) |
| Compliance costs | | (52,833) | (41,143) |
| Travel and accommodation expenses | | (10,546) | (17,500) |
| Fair Value loss on convertible notes | | (89,567) | - |
| Impairment of deposit paid for exploration licences | | - | (49,239) |
| Provision for impairment of debtors | | - | (160,494) |
| Unrealised foreign exchange loss | | (274,998) | (10,075) |
| Other expenses | | (7,891) | (12,062) |
| Profit/(Loss) before income tax | | (75,141) | (427,579) |
| Income tax benefit | 6 (c) | 522,418 | - |
| Net profit/ (loss) for the year from continuing operations | | 447,277 | (427,579) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | 25,813 | (70,240) |
| Total other comprehensive income for the year | | 25,813 | (70,240) |
| Total comprehensive income for the year | | 473,090 | (497,819) |
| Profit/(Loss) attributable to: | | | |
| Members of the parent entity | | 447,258 | (427,559) |
| Non-controlling interests | | 19 | (20) |
| | | 447,277 | (497,579) |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | 472,845 | (497,589) |
| Non-controlling interests | | 245 | (230) |
| | | 473,090 | (497,819) |
| Earnings per share | | | |
| Basic and diluted profit/(loss) per share (cents per share) | 7 | 0.24 | (0.23) |

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2017

| | Note | Consolidated | |
|--------------------------------------|------|--------------------|--------------------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 9 | 89,353 | 3,733 |
| Trade and other receivables | 11 | 220,003 | 280,339 |
| Total Current Assets | | 309,356 | 284,072 |
| Non-Current Assets | | | |
| Other receivables | 11 | 33,054 | - |
| Property, plant and equipment | 13 | 187 | 1,227 |
| Total Non-Current Assets | | 33,241 | 1,227 |
| TOTAL ASSETS | | 342,597 | 285,299 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 14 | 1,051,350 | 1,825,801 |
| Employee provisions | 15 | 9,381 | 9,856 |
| Current tax liabilities | 6(c) | - | 798,813 |
| Borrowings | 16 | 791,120 | 681,327 |
| Total Current Liabilities | | 1,851,851 | 3,315,797 |
| Non-Current Liabilities | | | |
| Other payables | 14 | 704,869 | - |
| Borrowings | 16 | 343,285 | - |
| Total Non-Current Liabilities | | 1,048,154 | - |
| TOTAL LIABILITIES | | 2,900,005 | 3,315,797 |
| NET ASSETS | | (2,557,408) | (3,030,498) |
| EQUITY | | | |
| Issued capital | 17 | 31,478,839 | 31,478,839 |
| Reserves | 18 | 500,228 | 474,641 |
| Accumulated losses | | (34,530,566) | (34,977,824) |
| Parent entity interest | | (2,551,499) | (3,024,344) |
| Non-controlling interests | | (5,909) | (6,154) |
| TOTAL EQUITY | | (2,557,408) | (3,030,498) |

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

| | Issued Capital Ordinary | Accumulated losses | Foreign Currency Trans- lation Reserve | Non- controlling Interests | Total Equity |
|---|-------------------------------|-----------------------|--|----------------------------------|-----------------|
| Note | \$ | \$ | | \$ | \$ |
| Balance at 1 July 2015 | 31,478,839 | (34,550,265) | 544,671 | (5,924) | (2,532,679) |
| Loss for the year | - | (427,559) | - | (20) | (427,579) |
| Other comprehensive income | - | - | (70,030) | (210) | (70,240) |
| Total comprehensive income for the year | - | (427,559) | (70,030) | (230) | (497,819) |
| Transactions with owners in their capacity as owners: | - | - | - | - | - |
| Balance at 30 June 2016 | 31,478,839 | (34,977,824) | 474,641 | (6,154) | (3,030,498) |
| Balance at 1 July 2016 | 31,478,839 | (34,977,824) | 474,641 | (6,154) | (3,030,498) |
| Profit for the year | - | 447,258 | - | 19 | 447,277 |
| Other comprehensive income | - | - | 25,587 | 226 | 25,813 |
| Total comprehensive income for the year | - | 447,258 | 25,587 | 245 | 473,090 |
| Transactions with owners in their capacity as owners: | - | - | - | - | - |
| Balance at 30 June 2017 | 31,478,839 | (34,530,566) | 500,228 | (5,909) | (2,557,408) |

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2017

| | Note | Consolidated | |
|--|------|------------------|------------------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Refunds received from ATO | | 175,895 | - |
| Other income received | | 52,759 | 14,376 |
| Payments to suppliers and employees | | (468,935) | (252,237) |
| Interest paid | | (1,472) | (2,017) |
| Interest received | | 2,069 | 480 |
| Income tax paid | | (4,696) | - |
| Net cash flows (used in) operating activities | 10 | (244,380) | (239,398) |
| Cash flows from investing activities | | | |
| Proceeds from the sale of plant and equipment | | - | 4,545 |
| Purchase of plant and equipment | | - | (193) |
| Deposits recouped | | - | 74,519 |
| Net cash flows (used in) investing activities | | - | 78,871 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings – related parties | | - | 158,650 |
| Proceeds from borrowings – unrelated parties | | 330,000 | - |
| Net cash flows from financing activities | | 330,000 | 158,650 |
| Net increase/(decrease) in cash and cash equivalents | | 85,620 | (1,877) |
| Cash and cash equivalents at beginning of period | | 3,733 | 5,610 |
| Cash and cash equivalents at end of period | 9 | 89,353 | 3,733 |

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

The financial report includes the financial statements and notes of Orpheus Energy Limited, a listed public company incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Orpheus Energy Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 27 September 2017 by the directors of the company.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements, which has been prepared in accordance with Australian Accounting Standards ('AASBs'), Australian Accounting Interpretations, other authoritative pronouncements, as issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable financial information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards issued by the ISAB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of consolidation

The consolidated financial statements comprise the assets, liabilities and results of entities controlled by Orpheus Energy Limited at the end of the reporting period.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their shares of changes in equity since that date.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Details of subsidiaries are set out in Note 22.

Subsidiaries Bushveld Exploration (SA) Pty Ltd and Orpheus Energy (China) Co Limited are not consolidated because their combined influence on the Group's net assets, financial position and results of operations is not material. Their net sales are nil, they have no income and their net total equity amounts to 0.005% of total assets. These non-consolidated subsidiaries are measured at fair value or at cost when the fair value of unlisted equity instruments cannot be reliably measured and they are presented under the 'Financial assets, non-current' line item.

In preparing the consolidated financial statements all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(c) Going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Notwithstanding the net profit for the year after income tax for the consolidated entity for the financial year ended 30 June 2017 amounting to \$447,277 (2016: Loss of \$427,579). The consolidated entity had a deficiency of net assets of \$2,557,408 as at 30 June 2017.

The Directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis because:-

- (i) Orpheus's acquisition of SenSen Networks Pty Ltd has been approved by shareholders at a general meeting held on 29 August 2017 and a prospectus has been issued to raise \$1.5 million under a Share Purchase Plan and \$5 million under General Offer. As at the date of this Annual Report, ~\$6 million in funds have been received, including \$5 million under the General Offer.
- (ii) The Group sold its Indonesian exploration/mining assets in FY2014 for which it is yet to collect \$6.8 million. Under a revised and updated settlement agreement for this debt a pledge of security over a real estate company owned by the debtor has been obtained and Orpheus has instructed its lawyers to commence the lodgement of a formal Police report. Accordingly the Directors believe that the amount remains recoverable either by way of sale of the security or the result of police action as an alternative means of recovering the debt;
- (iii) To fund the acquisition costs and provide working capital the Company has received binding commitments from sophisticated and professional investors to subscribe \$500,000 worth of Orpheus convertible notes. Note contributions are payable in instalments with \$330,000 having been received at balance date, and the balance of \$170,000 received after balance date.

In the event that the consolidated entity is unable to collect monies owing to it and/or it is unable to raise capital as per the prospectus there is a significant uncertainty whether it will be able to continue as a going concern and therefore whether the Company and the consolidated entity can realise its assets and extinguish its liabilities at the amounts stated in the financial report.

(d) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement.

(e) Income tax

The income tax for expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authorities.

Deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognized outside profit or loss.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Except for business combinations, no deferred income tax is recognized from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a 'legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Orpheus Energy Limited and its fully owned Australian subsidiary Orpheus Energy Group Pty Limited have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(f) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is received from bank balances held by the company. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax or VAT.

(i) Trade and other receivables

Trade receivables and other receivables, both of which generally have 30 day terms, are non-interest bearing and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. These receivables are classified as current assets.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(j) Trade and other payables

Trade payables and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the ATO is included with other receivables or payables in the statement of financial position

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers

(l) Property, plant and equipment

Property, plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(p) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over the assets useful life from the time the asset is ready for use.

The depreciation rates used for each class of depreciable asset are:

| Class of fixed asset | Depreciation Rate per annum |
|-------------------------|--|
| Plant and Equipment | 10% - 33% |
| Motor Vehicles | 25 % |
| Computer Equipment | 25% - 33% |
| Furniture and Equipment | 10% - 33% |
| Leasehold improvements | Straight line over the balance of the lease term |

The assets' residual values and useful life are reviewed and adjusted if appropriate, at the end of each reporting period. An assets recoverable amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(m) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(n) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs other than those incurred for the construction of any qualifying asset are expensed.

(o) Employee benefits – short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and personal leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for accumulating personal leave is recognised in the provision for leave. All other short-term employee benefit obligations are presented as payables

(p) Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(q) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(r) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(s) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(t) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss

Group companies

The financial results and position of foreign operations, Whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(u) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(v) New accounting standards and interpretations

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– **AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).**

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will have an impact on the Group's financial instruments and are considering the application of this standard. However it is not possible at this stage to provide a reasonable estimate of such impact due to the proposed acquisition of SenSen.

– **AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).**

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The directors anticipate that the adoption of AASB 15 will have an impact on the Group's financial instruments and are considering the application of this standard. However it is not possible at this stage to provide a reasonable estimate of such impact due to the proposed acquisition of SenSen.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

– **AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 July 2019).**

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 16 will have an impact on the Group's financial instruments and are considering the application of this standard. However it is not possible at this stage to provide a reasonable estimate of such impact due to the proposed acquisition of SenSen.

– **AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128).**

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: *Business Combinations* to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 July 2018. The directors anticipate that the adoption of AASB 2014-10 will not have an impact on the Group's financial statements.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(w) Significant accounting judgements, estimates and assumptions

In applying the Company's accounting policies, management continually evaluates judgements, estimates and assumptions based on historical experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. The more significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Impairment of loans to, and investment in, subsidiaries

Where a subsidiary entity incurs a loss, the parent entity assesses the recoverability of any loans due from, or investments in, any subsidiary. Where required, the parent entity will then record an impairment loss against the value of its loans to, or investment in, the subsidiary.

(ii) Useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and management judgement. In addition, the condition of assets is assessed annually and considered in the context of remaining useful life, and adjustments to useful life are made where necessary.

(iii) Key judgements – impairment of other receivables

The directors have reviewed outstanding debtors as at 30 June 2017 and have formed the opinion that not all debtors outstanding are collectible and have therefore decided that a provision for impairment of other receivables should be made. These debts include \$6,836,003 owing from the sale of Indonesian assets which are past due and which was fully provisioned in prior reporting periods. The provision was reduced in the current reporting by \$233,555 arising from a foreign exchange translation.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group holds the following financial instruments by category:

| | Consolidated | |
|------------------------------|---------------------|------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 89,353 | 3,733 |
| Trade and other receivables | 253,057 | 280,339 |
| | 342,410 | 284,071 |
| Financial liabilities | | |
| Trade and other payables | 1,756,220 | 1,825,801 |
| Short term loans | 343,285 | 681,327 |
| Long term loans | 343,284 | - |
| Convertible notes | 447,835 | - |
| | 2,890,624 | 2,507,128 |

The Company monitors its exposure to key financial risks, principally market risk (including currency risk), interest risk, credit risk and liquidity risk, with the objective of achieving the company's financial targets whilst protecting future financial security.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts and regular internal reporting. Credit risks are managed by credit limits and retention of the title over the investments sold.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. It reviews and agrees policies for managing each of the risks, including the use of derivatives, hedging cover of interest rate exposure, credit allowances, and future cash flow forecast projections.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market Risk

Foreign exchange risk

Exchange Risk arises whereby currency exchange rates may affect the assets and liabilities and the consolidation of companies within the group.

The company reports in Australian Dollars, however the operating currency of the Indonesian subsidiaries is the Indonesian Rupiah (IDR) and the operating currency for the Singapore subsidiary is US\$. Exchange risk is minimised by funding the Indonesian operations from Indonesian generated funds. Analysis is undertaken by the company to assist in managing and reducing risks where practical arising from potential movements in foreign exchange rates.

At 30 June 2017 if exchange rates had increased/decreased by 500 basis points from the year end rates with all other variables held constant, the profit increase/decrease would be an increase of \$2,319 and a decrease of \$2,321.

(b) Interest Risk

The Group's borrowings during 2017 from Directors were at fixed rates for Australian loans in A\$ based on the Westpac interest rate less 0.5%. Convertible Notes issued have a fixed interest rate of 10%. The Australian borrowings are not therefore subject to interest rate risk.

Group sensitivity

At 30 June 2017 if interest rates had increased/decreased by 50 basis points from the year end rates with all other variables held constant, the result would not be material.

Based on movements in interest rates the company regularly reviews the deployment of funds and the exposure to interest rate risk in conjunction with currency and exchange rate risk in order to manage these risks in line with corporate objectives.

(c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from other third parties, investments, banks and financial institutions.

Investments, banks and financial institutions

The Group limits its exposure to credit risk by only limiting transactions with high credit quality financial institutions that have an external credit rating.

Trade and other receivables

With regard to receivables due from the sale of assets credit risk exposure has been minimised by obtaining a pledge over assets of the debtor

(d) Liquidity Risk

The table below reflects all contractually fixed pay-offs and receivables for settlement from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2016. The amounts disclosed are undiscounted cash flows anticipated to eventuate in the next fiscal year.

Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2016.

| | Total | < 6 Mths | 6-12 Mths | 1-5 Yrs |
|------------------------------|--------------------|--------------------|--------------------|----------|
| | \$ | \$ | \$ | \$ |
| 2017 | | | | |
| Financial assets | | | | |
| Cash and cash deposits | 89,353 | 89,353 | - | - |
| Trade and other receivables | 253,057 | 220,003 | 33,054 | - |
| | 342,410 | 309,356 | 33,054 | - |
| Financial liabilities | | | | |
| Trade and other payables | 1,756,219 | 966,181 | 790,038 | - |
| Convertible Notes | 447,835 | 447,835 | - | - |
| Short term loans | 343,284 | 343,285 | - | - |
| Long Term Loans | 343,284 | - | 343,284 | - |
| | 2,890,623 | 1,757,301 | 1,133,322 | - |
| Net maturity | (2,548,213) | (1,447,945) | (1,100,268) | - |

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

| 2016 | Total \$ | < 6 Mths \$ | 6-12 Mths \$ | 1-5 Yrs \$ |
|------------------------------|--------------------|--------------------|-----------------|---------------|
| Financial assets | | | | |
| Cash and cash deposits | 3,733 | 3,733 | - | - |
| Trade and other receivables | 280,339 | 280,339 | - | - |
| | 284,072 | 284,072 | - | - |
| Financial liabilities | | | | |
| Trade and other payables | 1,825,801 | 1,825,801 | - | - |
| Current tax liabilities | 798,813 | 798,813 | - | - |
| Short term loans | 681,327 | 681,327 | - | - |
| | 3,305,941 | 3,305,941 | - | - |
| Net maturity | (3,021,869) | (3,021,869) | - | - |

The contractual maturities of the company's financial assets and liabilities set out in the table are equivalent to the maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values in the table reflects a balanced view of cash inflows and outflows.

(e) Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements, and unless specifically stated, carrying value approximates fair value for all financial instruments.

3. 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 Group's revenue and results by reportable operating segment for the periods under review.

| | Financial year ended 30 June 2017 | | | Financial year ended 30 June 2016 | | |
|--|-----------------------------------|-----------------|-----------------|-----------------------------------|-----------------|------------------|
| | Australia \$ | Indonesia \$ | Total \$ | Australia \$ | Indonesia \$ | Total \$ |
| Revenue: | | | | | | |
| Total segment revenue | 637,314 | 8 | 637,322 | 25,578 | - | 25,578 |
| Inter-segment revenue | - | - | - | - | - | - |
| Total Revenue from external customers | 637,314 | 8 | 637,322 | 25,578 | - | 25,578 |
| Segment result | (30,177) | (44,964) | (75,141) | | | |
| Income tax benefit | 522,418 | - | 522,418 | | | |
| Net Profit/(loss) | 492,241 | (44,964) | 447,277 | (379,289) | (48,289) | (427,578) |
| Depreciation and amortisation | 271 | 741 | 1,012 | 4,069 | 10,407 | 14,476 |
| Unrealised FE losses | 274,898 | - | 274,898 | - | - | - |
| Provision for impairment of debtors | (233,555) | - | (233,555) | 160,494 | - | 160,494 |
| Fair value losses on convertible notes | 89,567 | - | 89,567 | - | - | - |
| Impairment of investment in exploration licences | (41,477) | - | (41,477) | 49,239 | - | 49,239 |
| Debt forgiveness | (268,202) | - | (268,202) | - | - | - |
| Discount received | (84,178) | - | (84,178) | - | - | - |

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

3. SEGMENT REPORTING (continued)

| | As at 30 June 2017 | | | As at 30 June 2016 | | |
|----------------------------|--------------------|------------------|------------------|--------------------|------------------|------------------|
| | Australia \$ | Indonesia \$ | Total \$ | Australia \$ | Indonesia \$ | Total \$ |
| Assets: | | | | | | |
| Segment assets | 21,693,895 | 1,203 | 21,695,098 | 21,682,324 | 5,431 | 21,687,755 |
| Inter segment eliminations | (21,352,501) | - | (21,352,501) | (21,402,456) | - | (21,402,456) |
| | <u>341,395</u> | <u>1,203</u> | <u>342,597</u> | <u>279,868</u> | <u>5,431</u> | <u>285,299</u> |
| Liabilities: | | | | | | |
| Segment liabilities | 19,424,480 | 4,436,598 | 23,861,078 | 19,934,199 | 4,619,013 | 24,553,212 |
| Inter segment eliminations | (17,781,703) | (3,179,370) | (20,960,073) | (17,897,776) | (3,339,640) | (21,237,416) |
| Total Liabilities | <u>1,642,777</u> | <u>1,257,228</u> | <u>2,900,005</u> | <u>2,036,423</u> | <u>1,279,373</u> | <u>3,315,796</u> |

4. REVENUE

| | Consolidated | |
|---|----------------|----------------|
| | 2017 \$ | 2016 \$ |
| Revenue and other income | | |
| Interest received | 9,837 | 7,784 |
| Reversal of provision for impairment of debtors | 233,555 | - |
| Debt forgiveness * | 352,380 | - |
| Reversal of impairment of export licences | 41,477 | - |
| Unrealised foreign currency translation gains | - | 245,762 |
| Reversal of employee provisions | - | 165,425 |
| Other revenue | 73 | 25,578 |
| | <u>637,322</u> | <u>444,550</u> |

* Includes reversal of previous tax provision on disposal of assets by Orpheus Singapore of \$268,33 which is no longer payable and debt forgiveness on Indonesian legal bills of \$84,178.

5. EXPENSES

| | Consolidated | |
|--|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Finance costs – interest owing to related parties | 5,241 | 10,320 |
| Finance costs – interest paid to other persons | 29,741 | - |
| Rental expense on operating leases | 6,108 | 42,566 |
| Impairment of deposits paid for exploration licences | - | 49,239 |
| Unrealised foreign exchange loss | 274,998 | - |
| Fair value loss on convertible notes | 89,567 | - |
| Provision for impairment of debtors | - | 160,494 |
| Depreciation and amortisation | - | 14,476 |
| Loss on disposal of fixed assets | - | 10,075 |

6. INCOME TAX

| | Consolidated | |
|-------------------------------------|----------------|------------|
| | 2017 \$ | 2016 \$ |
| (a) Income tax benefit | | |
| Current tax | 522,418 | - |
| Income tax expense attributable to: | | |
| Loss from continuing operations | - | - |
| Aggregate income tax benefit | <u>522,418</u> | <u>-</u> |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

6. INCOME TAX (continued)

| | Consolidated | |
|--|--------------|------------|
| | 2017 \$ | 2016 \$ |
| (b) Numerical reconciliation of income tax expense to prima facie tax payable | | |
| Profit/(Loss) from continuing operations before income tax expense | (285,976) | (427,579) |
| Tax at the Australian tax rate of 30% (2016: 30%) | (20,664) | (128,273) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non-deductible items | 70 | 52,914 |
| Non-assessable items | (25,253) | - |
| Non-deductible settlement discount on disposal of investment | | - |
| Non-deductible impairment | (55,576) | 73,737 |
| Indonesian tax on gain on disposal of tenements and shares | | |
| Difference in overseas tax rates | (7,492) | (8,341) |
| Foreign exchange | (68,021) | |
| Deferred tax assets not recognised | 176,936 | 9,963 |
| Income tax forgiven (c) | 522,418 | |
| Income tax (expense)/benefit | 522,418 | - |
| The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account are as follows: | | |
| - Tax losses | 6,162,979 | 6,068,743 |
| - Temporary differences | (236,309) | (299,186) |
| | 5,926,670 | 5,769,557 |

- (c) Income tax benefit amounting to \$522,418 (relates to the reversal of previous tax provision on disposal of Indonesian assets). This tax is no longer payable

7. EARNINGS/(LOSS) PER SHARE

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 2017 Cents per Share | 2016 Cents per Share |
| (a) Basic and diluted earnings per share | | |
| From continuing operations attributable to the ordinary equity holders of the company | 0.24 | (0.23) |
| Total basic earnings per share attributable to the ordinary equity holders of the company | 0.24 | (0.23) |
| (b) Reconciliation of earnings used in calculating earnings per share | | |
| Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share | | |
| From continuing operations | 447,277 | (427,579) |

(c) Weighted average number of shares

| | Consolidated | |
|--|--------------|-------------|
| | 2017 No | 2016 No |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 183,476,469 | 183,476,469 |
| Weighted average number of options outstanding | - | - |
| Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS | 183,476,469 | 183,476,469 |

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

8. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | Consolidated | |
|---|--------------|--------|
| | 2017 | 2016 |
| | \$ | \$ |
| Hall Chadwick Australia | | |
| Auditing or reviewing the financial reports | 27,055 | 33,078 |
| Total remuneration of Hall Chadwick Australia | 27,055 | 33,078 |

9. CASH AND CASH EQUIVALENTS

| | | |
|--------------------------|--------|-------|
| Cash at bank and in hand | 89,353 | 3,733 |
|--------------------------|--------|-------|

Reconciliation of cash

Cash at the end of the financial year as shown in the cashflow statement is reconciled to cash at the end of the financial year as follows:

| | | |
|--------------------------|--------|-------|
| Cash at bank and in hand | 89,353 | 3,733 |
|--------------------------|--------|-------|

Interest rate exposure

The Group and the parent entity's exposure to interest rate risk is disclosed in Note 2

10. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | Consolidated | |
|---|------------------|------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| (a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax | | |
| Net profit/(loss) | 447,277 | (427,579) |
| Non cash flows in profit/(loss): | | |
| Expenses | | |
| Depreciation and amortisation expense | 1,012 | 14,476 |
| Reversal/(provision) of deposits paid for exploration licenses | (41,477) | 49,239 |
| Reversal/(provision) for impairment of debtors | (233,555) | 160,494 |
| Debt forgiveness | (352,380) | - |
| Accrued interest receivable | (7,768) | - |
| Accrued interest payable | 33,509 | |
| Fair value loss on convertible notes | 89,567 | |
| Loss on disposal of fixed assets | - | 10,075 |
| Net exchange differences | 274,999 | (283,388) |
| <i>Changes in assets and liabilities net of the effects of acquisitions of subsidiaries</i> | | |
| Decrease/(Increase)/in trade and other receivables | 225,682 | (217,079) |
| (Decrease)/increase in trade and other payables | 118,040 | 607,047 |
| (Decrease)/Increase in employee provisions | (474) | (162,217) |
| (Decrease)/Increase in tax liabilities | (798,813) | 9,534 |
| Net cash (used in) operating activities | (244,381) | (239,398) |

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

11. TRADE AND OTHER RECEIVABLES

| | Note | Consolidated | |
|---|------|----------------|----------------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| CURRENT | | | |
| Other receivables – owing on sale of subsidiaries | (a) | 6,836,003 | 7,171,243 |
| Provision for impairment of receivables - owing on sale of subsidiaries | (b) | (6,836,003) | (7,171,243) |
| Other receivables | | 581,648 | 820,996 |
| Provision for impairment of receivables other receivables | | (581,648) | (611,063) |
| Prepayments | | 190,631 | 15,747 |
| Director's loan | | 29,373 | 54,659 |
| | | <u>220,033</u> | <u>280,339</u> |
| NON-CURRENT | | | |
| Director's loan | | 33,054 | 54,659 |

| (a) | | Consolidated | |
|-----|---|------------------|------------------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| | Deferred payment owing on sale of subsidiaries PT Alam Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP); and sale of tenements B34 and Papua | | |
| | Opening balance | 7,171,243 | 6,890,068 |
| | Foreign exchange (loss) gain | (335,240) | 281,175 |
| | Closing balance | <u>6,836,003</u> | <u>7,171,243</u> |

- (b) The Board has resolved to make a provision for impairment of the amounts owing on the sale of subsidiaries as payment has not been received in accordance with the settlement agreement. Nugroho Suksmanto is still to pay any of the outstanding funds owed to Orpheus and he remains in breach of the Settlement Agreement. According to the Agreement, as at 30 June 2017, the total Receivable from Nugroho Suksmanto was IDR 70 billion Rupiah plus interest of IDR8.75 billion Rupiah (total 78.75 billion Rupiah or ~A\$7.6M) which remains unpaid.

As previously advised, as part of the Agreement, Orpheus has been provided with additional security in the form of a pledge over shares in a real estate company, PT Abadi Guna Papan ("AGP"), in which Nugroho Suksmanto has a controlling Interest.

Given Suksmanto's continuing breach of the Agreement, Orpheus, as the pledgee under the Shares Pledge Agreements is entitled to sell the pledged shares, on behalf of the pledgors based on powers of attorney to sell shares and consents to transfer issued by the pledgors, to recover the outstanding funds owed to Orpheus. Over the year, Orpheus has continued to directly, and through its lawyers, conduct discussions with potential acquirers of the AGP shares.

12. DEPOSITS PAID

| | Consolidated | |
|---|--------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Deposit for acquisition of interests in : | | |
| Papua concessions | 1,343,905 | 1,296,749 |
| Foreign exchange translation | 41,477 | 47,156 |
| Less Provision for Impairment | (1,302,428) | (1,343,905) |
| | <u>-</u> | <u>-</u> |

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

12. DEPOSITS PAID (continued)

The company previously advanced deposits toward the acquisition of four concessions in Papua while due diligence and site assessments were to be undertaken. Two of these concessions were sold back to MCI on 8 April 2014. In view of the difficulty of valuing these concessions on which little or no exploration work has been carried out the Directors believe it prudent to impair the remaining deposits.

13. PROPERTY, PLANT AND EQUIPMENT

| | Motor Vehicles \$ | Furniture & Equipment \$ | Computer Equipment \$ | Plant and Equipment \$ | Leasehold Improve- ments \$ | Total \$ |
|--------------------------------|----------------------|--------------------------------|-----------------------------|------------------------------|--------------------------------------|-------------|
| 30 June 2016 | | | | | | |
| Opening net book value | 6,021 | 17,125 | 3,946 | 2,426 | 612 | 30,130 |
| Additions/(Disposals) | - | (15,232) | 193 | - | - | (15,039) |
| Exchange differences | 251 | 9 | 251 | 101 | - | 612 |
| Depreciation and amortisation | (6,272) | (1,902) | (3,305) | (2,385) | (612) | (14,476) |
| Balance at 30 June 2016 | - | - | 1,085 | 142 | - | 1,227 |
| At 30 June 2016 | | | | | | |
| Cost or fair value | 33,857 | 858 | 46,007 | 28,204 | 612 | 109,538 |
| Accumulated depreciation | (33,857) | (858) | (44,922) | (28,062) | (612) | (108,311) |
| Net book balance | - | - | 1,085 | 142 | - | 1,227 |
| | Motor Vehicles \$ | Furniture & Equipment \$ | Computer Equipment \$ | Plant and Equipment \$ | Leasehold Improve- ments \$ | Total \$ |
| 30 June 2017 | | | | | | |
| Opening net book value | - | - | 1,085 | 142 | - | 1,227 |
| Exchange differences | - | - | (25) | (3) | - | (28) |
| Depreciation and amortisation | - | - | (873) | (139) | - | (1,012) |
| Balance at 30 June 2017 | - | - | 187 | - | - | 187,007 |
| At 30 June 2017 | | | | | | |
| Cost or fair value | 33,857 | 858 | 46,007 | 28,204 | 612 | 109,538 |
| Accumulated depreciation | (33,857) | (858) | (45,820) | (28,204) | (612) | (109,351) |
| Net book balance | - | - | 187 | - | - | 187 |

14. TRADE AND OTHER PAYABLES

| | Consolidated | |
|------------------------------------|------------------|------------------|
| | 2017 \$ | 2016 \$ |
| CURRENT | | |
| Trade payables | 87,906 | 450,353 |
| Wages and fees owing to Directors* | 668,331 | 1,043,995 |
| Accrued expenses | 295,113 | 331,443 |
| | <u>1,051,350</u> | <u>1,825,801</u> |
| NON-CURRENT | | |
| Amount owing to Directors* | 704,869 | - |
| | <u>704,869</u> | - |

* As per the Share Purchase Agreement signed with SenSen Networks Pty Ltd, *re the conversion of the amount owing to Director's one half of the amount is to be converted to equity and the balance to be paid twelve months after this date.*

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

15. EMPLOYEE PROVISIONS

| | Consolidated | |
|--|--------------|-----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Balance at beginning of financial year | 9,856 | 172,073 |
| Provision current year | - | 3,208 |
| Provision reversed | - | (165,425) |
| Foreign exchange loss | (475) | - |
| Balance at end of financial year | 9,381 | 9,856 |

16. BORROWINGS

CURRENT

| | | |
|--|----------------|----------------|
| (a) Loans from related parties – unsecured | 343,285 | 681,327 |
| (b) Convertible Notes - unsecured | | |
| Face value of notes issued | 330,000 | - |
| Interest and utilization fee accrued | 28,268 | - |
| (c) Fair value adjustment | 89,567 | - |
| | 447,835 | - |
| Total Current Borrowings | 791,120 | 681,327 |

NON-CURRENT

| | | |
|--|----------------|----------|
| (a) Loans from related parties – unsecured | 343,285 | - |
| Total Non-Current Borrowings | 343,285 | - |

- (a) Directors extended short terms loans to the Company with interest payable at the rate charged by Westpac Banking Corporation on business overdrafts exceeding \$100,000 less 0.5%. This has been calculated at 7.33% with interest accrued. At 30 June 2017 Directors loans outstanding were \$686,568 including interest of \$30,781.

As per the Share Purchase Agreement signed with SenSen Networks Pty Ltd, one half of the loans are to be converted to equity on completion of the acquisition and the balance to be paid twelve month later in cash or shares at the option of SenSen.

- (b) Binding commitments from have been received sophisticated and professional investors to subscribe for \$500,000 worth of 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 acquisition 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

- (c) Convertible notes were issued at 0.8 cents with shares to be issued under the prospectus at 10 cents. This represents a discount to their fair value

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

17. ISSUED CAPITAL

| (a) Share capital | 2017 Shares | 2016 Shares | 2017 \$ | 2016 \$ |
|----------------------------|----------------|----------------|------------|------------|
| Ordinary shares fully paid | 183,476,469 | 183,476,469 | 31,478,839 | 31,478,839 |

(b) Movements in ordinary share capital

| | No of shares | Issue Price | \$ |
|--|--------------|-------------|------------|
| 1 July '14 Balance | 150,256,271 | | 30,695,699 |
| 7 Nov '14 Issued on conversion of directors' loans to equity | 18,000,000 | \$0.03 | 540,000 |
| 4 Feb '15 Issued as per rights issue | 12,946,811 | \$0.02 | 258,936 |
| 4 Feb '15 Issued to underwriters of rights issue | 2,273,387 | \$0.02 | 45,468 |
| Less share issue costs | | | (61,264) |
| 30 June '16 & '17 Balance | 183,476,469 | - | 31,478,839 |

(c) Options

There were no unexpired options at the beginning of the reporting period and no options were issued during the reporting period.

(d) Capital management

The Group and the parent entity's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group and the parent entity continually monitor capital on the basis of budgeted expenditure.

The Group had no long-term debt at balance date and depends on capital raising and short term loans to fund capital and operating expenditure.

18. RESERVES

| | Consolidated | |
|--|--------------|------------|
| | 2017 \$ | 2016 \$ |
| (a) Other Reserves | | |
| Foreign currency translation reserve | 500,228 | 474,641 |
| | 500,228 | 474,641 |
| (b) Movements | | |
| <i>Foreign exchange translation reserve</i> | | |
| Balance at beginning of financial year | 474,641 | 544,671 |
| Currency translation differences arising during the year | 25,587 | (70,030) |
| Balance at end of financial year | 500,228 | 474,641 |

(c) Nature and purpose of reserves

(i) Foreign exchange translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

19. CONTINGENT LIABILITIES

The Group had no known contingencies at 30 June 2017 and 30 June 2016.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

20. AFTER BALANCE DATE EVENTS

Acquisition of SenSen Networks Pty Ltd (SenSen)

On 29 August 2017 a General Meeting was held seeking shareholder approval of resolutions for the acquisition of SenSen. All resolutions were passed on a show of hands.

The resolutions passed were as follows:-

- Approval of the change in nature and scale of activities;
- Approval of the consolidation of the Company's issued capital 10:1;
- Approval of the issue of 273,764,706 consideration shares to vendors;
- Approval of the issue of shares to raise up to \$1.5 million pursuant to capital raising (Share Purchase Plan Offer)'
- Approval of the issue of shares to raise up to \$5 million pursuant to the capital raising (General Offer);
- Appointment of new Directors Subash Challa, Zenon Pasieczny and Jason Ko;
- Approval of conversion of directors' loans to shares;
- Approval of conversion of Notes to shares; and
- Approval of change of company name to SenSen Networks Limited

On 21 August 2017, a Prospectus was issued for the offer of 15,000,000 New Shares to eligible Orpheus shareholders under a Share Purchase Plan, and up to 50,000,000 New Shares to eligible investors under a General Offer, and 273,764,706 Consideration Shares to the Vendors in consideration for the acquisition of all of the shares in SenSen.

Subsequently, on 1 September 2017, a Replacement Prospectus was issued.

On 14 September 2017, a Supplementary Prospectus was lodged with ASIC at which time the Company had received indicative bids in excess of the General Offer Maximum Subscription. The SPP Offer was being extended to allow additional time for Eligible Shareholders to participate in the SPP Offer. The Vendor Offer was also being extended to allow additional time for the final Vendor Offer Application Forms to be received by the Company.

On 25 September 2017, a Second Supplementary Prospectus was lodged with ASIC at which time the Vendor Offer was closed, and General Offer was closed and had been fully subscribed up to the General Offer Maximum Subscription.

The SPP Offer was extended:

(c) to allow additional time for Eligible Shareholders to participate in the SPP Offer;

and

(d) to allow time for the ASX Listing Committee to confirm its decision in regards to the look through relief application and the number of Vendors who will subject to ASX imposed escrow under Chapter 9 of the ASX Listing Rules.

Completion of the SPP Offer, General Offer and Vendor Offer is conditional, amongst other things, on the Subscription Amount being received under the SPP Offer.

The Company notes that pursuant to the terms of the Prospectus, in the event the SPP Offer is not subscribed to the Subscription Amount by Eligible Shareholders, the Company reserves the right to place the shortfall of the SPP Offer in its discretion. The closing date of the SPP has been extended to 3 October 2017.

Convertible Notes

On various dates in July and August 2017 the last instalments totalling \$170,000 due from investors under the \$500,000 Orpheus Note issue were received. The convertible Notes are to be converted into Shares in the Company on completion of the SenSen acquisition.

There are no other matters subsequent to the end of the financial year.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

21. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent entity

The parent entity within the Group is Orpheus Energy Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 22.

(d) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

Disclosures in relation to key management personnel are set out in the Remuneration Report and in Note 23.

21. RELATED PARTY TRANSACTIONS (continued)

(e) Loans from/to related parties

Short term loans have been extended to the Company by Directors. The total amount of loans outstanding at 30 June 2017 including accrued interest was \$686,568. Details of these loans are disclosed in Note 17 and in the Remuneration Report.

A short term loan has also been extended to a Director at an interest rate of 14.39%. The total amount this loan outstanding at 30 June 2017 including accrued interest was \$64,426

22. CONTROLLED ENTITIES

The following are subsidiaries of the group, are controlled entities and have been consolidated at 30 June 2017.

(a) Controlled entities consolidated

| Entity Name | Country of incorporation | Equity interest* | |
|--|--------------------------|------------------|------|
| | | 2017 | 2016 |
| Orpheus Energy Group Pty Ltd | Australia | 100% | 100% |
| Orpheus Energy (Ashford) Pty Ltd as trustee for Ashford Unit Trust (i) | Australia | - | 100% |
| Orpheus Energy (Hodgson Vale) Pty Ltd as trustee for Hodgson Vale Unit Trust (i) | Australia | - | 100% |
| Orpheus Energy (Wingen) Pty Ltd as trustee for Wingen Unit Trust (i) | Australia | - | 100% |
| Orpheus Energy (Hong Kong) Limited | Hong Kong | 50% | 50% |
| PT Orpheus Energy | Indonesia | 100% | 100% |
| Orpheus Energy (China) Co Limited (ii) | China | 100% | 100% |
| Orpheus Energy Singapore Pte Limited | Singapore | 100% | 100% |
| Bushveld Exploration (SA) (Pty) Ltd (ii) | South Africa | 100% | 100% |

* Percentage of voting power is in proportion to ownership

(i) Dormant subsidiaries deregistered during the reporting period

(ii) Controlled entities are not consolidated because the total assets of these companies as of 30 June 2016 and 30 June 2017 are not material.

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel compensation

| | 2017 \$ | 2016 \$ |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 122,101 | 200,524 |
| Post-employment benefits | - | 5,265 |
| | <u>122,101</u> | <u>205,789</u> |

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Equity instrument disclosures relating to Key Management Personnel compensation

Details of Key Management Personnel option and share holdings are disclosed in the Remuneration Report.

(c) Other KMP transactions

Directors have extended short term loans to the Company with interest 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%.

At 30 June 2017 Directors loans outstanding were \$686,568 including interest accrued of \$30,781. As per the Share Purchase Agreement signed with SenSen Networks Pty Ltd, one half of the loans are to be converted to equity on completion of the acquisition and the balance to be paid twelve month later in cash or shares at the option of SenSen.

A short term loan has also been extended to a Director at an interest rate of 14.39%. The total amount this loan outstanding at 30 June 2017 including accrued interest was \$52,426

24. PARENT ENTITY INFORMATION

(a) Summary financial information

| | Parent entity | |
|---|-------------------|-------------------|
| | 2017 \$ | 2016 \$ |
| Statement of profit or loss and other comprehensive income | | |
| Loss for the year | (285,976) | (403,866) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the year | <u>(285,976)</u> | <u>(403,866)</u> |
| Statement of financial position of the parent entity at year end | | |
| Current assets | 305,928 | 136,808 |
| Non-current assets | 14,972,063 | 14,923,365 |
| Total assets | <u>15,277,991</u> | <u>15,060,173</u> |
| Current liabilities | 2,101,859 | 1,924,324 |
| Non-current liabilities | 1,266,687 | 940,428 |
| Total liabilities | <u>3,368,546</u> | <u>2,864,752</u> |
| Issued capital | 31,478,839 | 31,478,839 |
| Accumulated losses | (19,569,394) | (19,293,418) |
| Total equity | <u>11,909,445</u> | <u>12,195,421</u> |

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2017

24. PARENT ENTITY INFORMATION (continued)

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees at the 30 June 2017 and 30 June 2016.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 and 30 June 2016.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at the 30 June 2017, the parent entity has made no contractual commitments for the acquisition of plant or equipment.

25. CORPORATE INFORMATION

Registered office and principal places of business

Suite 9, Level 3
3 Spring Street
Sydney NSW 2000
Australia

T +61 2 8281 8200

Menara Anugrah Lt. 27
Kantor Taman E.3.3. Lot 8-6-8.7
Kawasan Mega Kuningan
Jakarta 12950
Indonesia

T +62 21 579 48860

T +62 21 579 48861

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 13 September 2017.

(a) Distribution of equity securities

The share capital as advised to ASX on 24 August 2017 has been consolidated 10:1 effective from 31 August 2017.

After consolidation 18,347,952 fully paid ordinary shares are held by 826 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The numbers of shareholders, by size of holding, in each class are:

| Holdings Ranges | Holders | Total Units | % |
|---------------------------------------|------------|-------------------|---------------|
| 1-1,000 | 189 | 95,605 | 0.01 |
| 1,001-5,000 | 402 | 886,249 | 0.04 |
| 5,001-10,000 | 89 | 657,577 | 0.47 |
| 10,001-100,000 | 113 | 3,712,231 | 8.46 |
| 100,001-99,999,999,999 | 33 | 12,997,290 | 91.02 |
| Totals | 826 | 18,347,952 | 100.00 |
| Holding less than a marketable parcel | 767 | | |

(b) Substantial shareholders

| Name | Number | Percentage |
|-----------------------------|-----------|------------|
| BOARDWALK RESOURCES PTY LTD | 1,282,098 | 6.99 |
| MR WAYNE DOUGLAS MITCHELL | 1,526,421 | 8.32 |
| DAVID EDWARD SMITH | 1,105,000 | 6.02 |

(c) Twenty largest holders of quoted equity securities

| Ordinary shareholders | Fully Paid | |
|---|--------------------|--------------|
| | Number | Percentage |
| 1. BOARDWALK RESOURCES PTY LTD | 12,820,972 | 6.99 |
| 2. MR WAYNE MITCHELL | 10,105,893 | 5.51 |
| 3. OCTOPI ENTERPRISES PTY LTD | 8,950,000 | 4.88 |
| 4. DAGIDOCH PTY LTD <THE SMITH FAMILY S/FUND A/C> | 8,905,334 | 4.85 |
| 5. MRS GILLIAN SMITH | 7,574,666 | 4.13 |
| 6. HAWTHORN GROVE INVESTMENTS PTY LTD | 5,487,119 | 2.99 |
| 7. MR DAVID EDWARD SMITH | 5,444,320 | 2.97 |
| 8. CARMANT PTY LTD <CARMANT SUPER FUND A/C> | 5,237,557 | 2.85 |
| 9. MS SALEE CHUTINTON | 5,000,000 | 2.73 |
| 10. MR WAYNE DOUGLAS MITCHELL | 4,656,075 | 2.54 |
| 11. MR WESLEY HARDER | 4,640,178 | 2.53 |
| 12. MR DAVID EDWARD SMITH | 4,555,680 | 2.48 |
| 13. MR MICHAEL PATRICK RHODES + MRS TREESYE HENDRIYANI RHODES | 4,277,833 | 2.33 |
| 14. DR HENRY MARTIN STENNING | 4,000,000 | 2.18 |
| 15. CITICORP NOMINEES PTY LIMITED | 3,447,855 | 1.88 |
| 16. ISMENE PTY LTD | 3,284,024 | 1.79 |
| 17. B ARTHUR PTY LTD <BARRY ARTHUR SUPER FUND A/C> | 2,980,000 | 1.62 |
| 18. AUSTRALIAN FEATHER MILLS PTY LTD | 2,600,000 | 1.42 |
| 19. NORMAN INVESTMENT PARTNERS PTY LTD <THE NORMAN INVESTMENT A/C> | 2,539,286 | 1.38 |
| 20. MS SALEE CHUTINTON | 2,500,000 | 1.36 |
| 20. MR PAUL DANA FILLION | 2,500,000 | 1.36 |
| Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL) | 111,506,792 | 60.77 |
| Total Remaining Holders Balance | 71,197,267 | 39.23 |

ASX Additional Information

UNQUOTED SECURITIES

There are no unquoted securities at 30 June 2017.

OTHER INFORMATION

On 10 June 2015 the ASX suspended trading in Orpheus securities in accordance with Listing Rule 17.3 and advised that the Company's securities will remain suspended until the Company is able to demonstrate compliance with ASX Listing Rules 11.1.2.

There is no current on-market buyback of the Company's securities.