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BPH ENERGY LIMITED  
ACN 095 912 002

Annual Report 2017

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BPH Energy Limited and its controlled entities

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## Company Information

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### Directors

David Breeze – Chairman/Managing Director  
Thomas Fontaine – Non Executive Director  
Anthony Huston - Non Executive Director

### Scientific Advisors

Professor David Liley

### Registered Office

14 View Street, NORTH PERTH WA 6006

### Principal Business Address

14 View Street, NORTH PERTH WA 6006

Telephone: (08) 9328 8366

Facsimile: (08) 9328 8733

Website: [www.bphenergy.com.au](http://www.bphenergy.com.au)

E-mail: [admin@bphenergy.com.au](mailto:admin@bphenergy.com.au)

### Auditor

HLB Mann Judd  
Level 4  
130 Stirling Street  
PERTH WA 6000

### Share Registry

Advanced Share Registry Limited  
110 Stirling Highway  
NEDLANDS WA 6009

### Australian Securities

#### Exchange Listing

ASX Limited

(Home Exchange: Perth, Western Australia)

ASX Code: BPH

### Australian Business Number

41 095 912 002

# Chairman's Letter

BPH Energy Limited and its controlled entities

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Dear Shareholder,

I am pleased to be able to advise on a number of positive developments in what has been a challenging year for your company.

In November 2016 investee Cortical Dynamics Ltd ("Cortical") was announced as the winner of the Australian Technologies Competition ("ATC") Advanced Manufacturing category, runner up in the Australian Technology Company of the Year, and runner up in the Med Tech and Pharma category. ATC has established itself as Australia's premier technology accelerator. The competition recognizes those companies which are best positioned to become global success stories. Over the last five years the competition has generated over \$250 million dollars in investment and project opportunities for Australian SMEs.

Cortical was also invited by Austrade to attend and present at the Austrade Med Tech Innovation Showcase 2016 held in Korea in September 2016. The showcase was for Australia's key industry experts and innovative Med Tech companies with senior executives from leading Korean pharma and medical device companies.

Discussions were initiated with a Korean medical device distribution company who approached Cortical seeking the Korean distribution rights. Organised by Austrade, with the support of the Department of Foreign Affairs and Trade ("DFAT") and the Korean Health Innovation Development Institute ("KHIDI"), the showcase provided a platform for Australian medical technology organisations to meet with Korean businesses that are interested in partnering with Australian technology and solutions providers.

In February 2017, the European Patent Office granted Cortical a further patent titled, 'Brain function monitoring and display system' for the Brain Anaesthesia Response ("BAR") monitoring system. Europe has been estimated to hold over one third of the worldwide electroencephalogram ("EEG") / EMG / brain function monitoring market.

BPH is of the opinion that the current structure of the board of MEC Resources Limited ("MEC") has been adverse to ongoing developments in Advent Energy Limited ("Advent"). In July 2017 Advent announced it had submitted its Environmental Plan for approval to NOPSEMA prior to commencement of seismic acquisition activities in PEP11. Advent initially expected to commence its 2D seismic program in the third quarter of 2017, pending regulatory approvals, and has recently announced that this may not occur until as late as the first quarter of 2018.

In February 2017, Advent announced it had received conditional regulatory approval for suspension of the permit work commitments and extension of the term of EP386. The approval from the Western Australian Department of Mines & Petroleum ("DMP") allows the current EP386 work commitments to be completed by 31 March 2018, subject to regulatory approval. This work appears unlikely to be able to be completed by this time given the likely near term onset of the wet season.

BPH has been involved in discussions and proposals to fund the operations of Advent and continues to do so and has attempted to do so despite ongoing legal actions by MEC and has only taken such steps as it considers necessary to protect its position. In particular, its proposals involve funding initiatives for each of Advent's projects. BPH is focussed on enabling the drilling of a further well at the Baleen drilling target in PEP11 at the earliest possible opportunity with an objective of doing so as early as 2018 given significantly reduced rig rates and the availability of rigs to achieve this.

The gas prices and gas supply crisis in the east coast market have created a significant market opportunity to raise the funding to drill with the objective of developing the PEP11 project to meet the gas supply shortfall. BPH is committed to do so at the earliest opportunity and is prepared to commit that all supplies from the successful development of this project will be committed to meet only the domestic market.



Yours Sincerely  
David Breeze  
Chairman

# Review of Operations

BPH Energy Limited and its controlled entities

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## **Investment in Oil and Gas Exploration Company**

### Advent Energy Ltd (“Advent”):

BPH Energy currently holds an interest of 27% in unlisted Australian exploration company Advent Energy Ltd (“Advent”).

Advent has assembled a range of hydrocarbon permits which contain near term production opportunities with pre-existing infrastructure and exploration upside.

Advent’s assets include EP386 and RL1 (100%) in the onshore Bonaparte Basin in the north of Western Australia and Northern Territory and PEP11 (85%) in the offshore Sydney Basin.

The Sydney Basin is a proven petroleum basin with excellent potential for the discovery of gas. Advent has demonstrated an active hydrocarbon system with seeps reported in the offshore area and sampling has indicated the presence of thermogenic hydrocarbon gas. This is considered to occur in basins actively generating hydrocarbons and/or that contain excellent migration pathways. Previous drilling has shown that the early Permian geological sequence is mature for hydrocarbons.

Undiscovered gross prospective recoverable gas resources for structural targets within the PEP11 offshore permit have been estimated at 5.7 Tcf (at the Best Estimate level). A Low Estimate of 0.3 Tcf and High Estimate of 67.8 Tcf has been assessed by Pangean Resources in 2010. PEP 11 lies adjacent to the most populous region of Australia and the major industrial hub and port of Newcastle. A high resolution 2D seismic survey is planned to assist in the drilling of the Baleen target approximately 30 km south of Newcastle.

Advent is investigating a considerable potential shale gas resource within EP386 and RL1. Studies indicate significant potential upside in prospective shale gas resources with an estimated (Best Estimate) prospective recoverable resource of 9.8 Tcf (Low Estimate is 1.9 Tcf and High Estimate is 25.4 Tcf).

A 2C Contingent Resource of 11.5 Bcf (1C is 0.3 Bcf and 3C is 45.8 Bcf) for the Weaber Gas Field (RL1) has been assessed by an independent third party as a component of Advent’s drive to commercialise its 100% owned onshore Bonaparte Basin assets. The rapid development of the Kununurra region in northern Western Australia, including the Ord Irrigation Expansion Project and numerous resource projects, provides an exceptional opportunity for Advent to potentially develop its nearby gas resources for the benefit of the region along with Advent and its shareholders.

## **Investment in Biotechnology Companies**

BPH Energy’s existing Biotechnology investments include its 3.89% interest in Cortical Dynamics Limited (and its 20% interest in Molecular Discovery Systems Limited. BPH also has a right to convert debt and increase its shareholding in Cortical to approximately 14 % by a conversion of its loan facilities.

### Cortical Dynamics Limited (“Cortical”):

Cortical is working with BPH Energy and the Swinburne University of Technology (“SUT”) to develop and commercialise a unique depth of anaesthesia monitoring system for use during major surgery. The core technology is based on real time analysis of the patients electroencephalograph (EEG) using a proprietary algorithm based on a mathematically and physiologically detailed understanding of the brain’s rhythmic electrical activity.

Cortical has achieved a major milestone in the commercialisation of its Brain Anaesthesia Response Monitor (BAR). Cortical received notification from the Therapeutic Goods Administration (“TGA”) that a decision was made to issue a conformity assessment certificate to Cortical under section 41EC of the Therapeutic Goods Act 1989. In addition to this Cortical also received notification that to it would be issued MRA EC certificates (“CE Mark”) under the Mutual Recognition Agreement (MRA) with the European Union therefore allowing the CE mark to be applied to the BAR monitor.

# Review of Operations

BPH Energy Limited and its controlled entities

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Having achieved TGA certification and the CE Mark, Cortical is now able to market the BAR monitor within Australia and Europe.

## Molecular Discovery Systems Limited ("MDSystems") - HLS5 Project:

MDSystems has been working with the Molecular Cancer Research Group at the Harry Perkins Institute of Medical Research to validate HLS5 as a novel tumour suppressor gene, particularly for liver cancer.

The researchers at the Perkins Institute originally identified HLS5 (TRIM35) as a tumour suppressor associated with leukemia. However, in a separate study conducted in China, low levels of HLS5 (TRIM35) was found to correlate with human liver cancer development, and that reduced HLS5 (TRIM35) expression could potentially be used as prognostic marker for the disease.

In a significant further phase of this research the Perkins Institute researchers have developed a pre-clinical model of liver cancer and have demonstrated, in this model that removing the expression of HLS5 (TRIM35) can accelerate the development of liver disease.

Research undertaken by the Perkins Institute team, and laboratories in China, has revealed that HLS5 (TRIM35) is capable of slowing the growth of tumour cells in culture, including suppression of liver cancer cells.

Liver cancer ranks as the second leading cause of cancer-related deaths in developing countries. An estimated 782,500 new cases of liver cancer and 745,500 deaths occurred worldwide in 2012, of which China alone accounted for almost 50% of cases. While survival rates for many cancers have improved over the past two decades, there has been no major improvement in liver cancer prognosis.

Liver cancer also looms as one of Australia's greatest cancer challenges, with new analyses predicting increased mortality from the disease in the future. At present, limited treatment options exist for patients with liver cancer.

It is anticipated that the work of the Perkins Institute researchers will be prepared for publication. The development of this pre-clinical model may enable MDS to pursue research and partnering relationships with a significant new range of collaborators and investors.

Developments in the Company's investments include:

### ***Cortical Dynamics Ltd (BPH 4.56% with a right to move to approximately 14%)***

In November 2016 Cortical Dynamics Ltd ("Cortical") was announced as the winner of the Australian Technologies Competition ("ATC") Advanced Manufacturing category, runner up in the Australian Technology Company of the Year, and runner up in the Med Tech and Pharma category. ATC has established itself as Australia's premier technology accelerator.

Over 130 of Australia's best technology companies were considered for these awards. Australian and international government partners of the ATC include the Australian Department of Industry, Innovation and Science, Hong Kong Trade & Development Council and UK Trade & Investment.

Cortical was also invited by Austrade to attend and present at the Austrade Med Tech Innovation Showcase 2016 held in Korea in September 2016. The showcase was for Australia's key industry experts and innovative Med Tech companies with senior executives from leading Korean pharma and medical device companies.

Cortical Chairman, Mr David Breeze, presented Cortical's Brain Function Monitor and met with four of the leading Korean teaching and research hospitals, all of whom expressed interest in using the technology when it became available in Korea.

Having achieved Therapeutic Goods Administration ("TGA") certification and the CE Mark, Cortical is now able to market the BAR monitor within Australia and Europe, one of the worlds' largest EEG brain function monitoring

# Review of Operations

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equipment markets. Cortical has signed an initial agreement in Australia and is now negotiating its first distribution agreement for Europe and is receiving distribution enquiries from other international centres.

The BAR monitor is designed to assist anaesthetists and intensive care staff in ensuring patients do not wake unexpectedly, as well as reducing the incidence of side effects associated with the anaesthetic.

During the reporting period Cortical issued 5,400,000 fully paid ordinary shares (including 650,000 issued in July 2017) at an issue price of \$0.10 per share to fund its ongoing activities.

## **Advent Energy Ltd (BPH 27.04%)**

The information in this section has been extracted from the ASX announcements of MEC Resources Limited (ASX: MMR), the major shareholder in Advent Energy Ltd.

### (i) PEP 11

PEP11, offshore Sydney Basin adjacent to Newcastle-Sydney offshore New South Wales, is held 85% and operated by Asset Energy Pty Ltd (“Asset”), a wholly owned subsidiary of Advent Energy Ltd (“Advent”).

Gas prices on the east coast have risen to extreme levels in the last year as cold weather and rising demand from the Queensland LNG projects has resulted in short-term wholesale gas prices in Sydney up to nearly \$29 per gigajoule (GJ). This price spike means that industrial gas buyers relying on the spot market for gas supplies will be paying more than three times as much as Japan is paying for importing LNG. With the NSW onshore gas industry in turmoil and the declining reserves in the Bass Strait and Cooper Basin, Advent Energy is pushing ahead with a focussed seismic campaign around a key potential drilling prospect in PEP11 in the offshore Sydney Basin.

PEP11 holds significant structural targets potentially capable of comprising multi-Tcf natural gas resources. The offshore Sydney Basin has been lightly explored to date, including a multi-vintage 2D seismic data coverage and a single exploration well, New Seaclem-1 (2010). Its position as the only petroleum title offshore New South Wales provides a significant opportunity should natural gas be discovered in commercial quantities in this petroleum title. It lies adjacent to the Sydney-Newcastle region and the existing natural gas network servicing the east coast gas market.

Advent’s two core prospects in PEP11 have previously been calculated via external assessment to have the potential for un-risked (P50) prospective gas resources of 472 and 2,131 billion cubic feet (“BCF”) respectively, with multi-trillion cubic feet upside (“multi-TCF”, Pmean). This resource assessment was originally comprised within the independent expert report disclosed to the ASX on 22 December 2010 and has not materially changed since that date.

In July 2017 Advent submitted its Environmental Plan (“EP”) for approval to the National Offshore Petroleum Safety and Environment Management Authority (“NOPSEMA”) prior to commencement of seismic acquisition activities in PEP11. Advent expects to commence its 2D seismic program in the third quarter of 2017 or early 2018, pending regulatory approvals. The survey will acquire high resolution 2D seismic data over the Baleen prospect, and will evaluate (amongst other things) shallow geohazard indications including shallow gas accumulations that can affect future drilling operations.

# Review of Operations

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## (ii) EP386 and RL1

EP386 and RL1 are held by Advent's 100% subsidiary Onshore Energy Pty Ltd. The petroleum titles lie in the onshore Bonaparte Basin, one of Australia's most prolific hydrocarbon producing basins. This field lies immediately adjacent to the Project Sea Dragon aquaculture project proposed by the Seafarms Group which is planned to potentially grow to a 100,000 tonne export project. This project has Major Project Status across multiple jurisdictions, and Advent Energy has previously signed a letter of intent for the potential supply of natural gas to Project Sea Dragon. . The petroleum wells Waggon Creek-1, Vienta-1 (EP386) and Weaber-4 (RL1) are cased and suspended as future producers.

In February 2017 Advent received conditional regulatory approval for suspension of the permit work commitments and extension of the term of EP386. Advent has submitted a preliminary proposed well intervention program to the designated authority for consideration. .

### ***Molecular Discover Systems Ltd (BPH 20%)***

The Molecular Cancer Research Group at the Harry Perkins Institute of Medical Research continued with their research of HLS5 during the year.

# Directors' Report

BPH Energy Limited and its controlled entities

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The directors of BPH Energy Ltd ("BPH Energy" or "the Company") present their report on the Company and its controlled entities ("consolidated entity" or "Group") for the financial year ended 30 June 2017.

## Directors

The names of directors in office at any time during or since the end of the year are:

D L Breeze  
T Fontaine  
A Huston (appointed 26 June 2017)  
B Whan (resigned 26 June 2017)  
G Gilbert (resigned 1 June 2017)

## Company Secretary

Mr David Breeze was appointed Company Secretary on 23 November 2016. He has many years' experience in the management of listed entities. Ms Deborah Ambrosini resigned as Company Secretary on 23 November 2016.

## Principal Activities

The principal activities of the consolidated entity during the financial year were investments in biotechnology entities and an oil and gas exploration entity.

## Operating Results

The consolidated entity has reported a total comprehensive loss after tax for the year ended 30 June 2017 of \$2,544,301 (2016: loss of \$511,446) and has a net cash outflow from operating activities of \$517,680 (2016: outflow of \$218,606). The loss for the period is after recognising (i) a fair value loss on reclassification of an associate, Advent Energy Limited, of \$1,308,563 after accounting for the extinguishment of the related asset revaluation reserve (ii) an impairment charge of \$72,454 (2016: \$Nil) (iii) consulting and legal expenses of \$285,065 (2016: \$140,188).

## Dividends

The directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

## Financial Position

The consolidated entity has reported a loss after tax for the year ended 30 June 2017 of \$2,544,301 (2016: loss of \$511,446) and has a net cash outflow from operating activities of \$517,680 (2016: outflow of \$218,606). The consolidated entity has a working capital deficit of \$1,084,626 (2016: deficit \$1,963,721). The net assets of the consolidated entity decreased by \$15,927,700 to \$4,386,329 at 30 June 2017.

The consolidated entity has a working capital deficit of \$1,084,626 as at 30 June 2017 (30 June 2016: deficit of \$1,963,721) which includes cash assets of \$613,658 (30 June 2016: \$111,648) and trade creditors and other payables of \$1,284,910 (30 June 2016: \$1,217,748).

Included in trade creditors and payables is director fee accruals of \$760,176. The directors have reviewed their expenditure and commitments for the consolidated entity and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources.

# Directors' Report

BPH Energy Limited and its controlled entities

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## Review of Operations

A Review of Operations is set out on pages 2 to 5 and forms part of this Directors' Report.

## Significant Changes in State Of Affairs

### *Capital raisings*

On 5 July 2016 the Company issued 70,730,318 shares under a share placement plan at a price of \$0.00533 per share to raise \$376,993, being the maximum 30% of its share capital it could issue. Applications in excess of \$800,000 were received. A private placement of shares to sophisticated and professional investors was announced on 8th July 2016 at the same price. A total of 45,966,214 shares were issued under this placement which raised \$245,000 from existing shareholders of the Company.

In March and April 2017 the Company issued 219,701,468 shares under a share purchase plan at \$0.005 per share for \$1,098,507. Of these subscription monies, \$803,469 was received in cash and \$295,038 set off against related party payables.

During the year the Company issued 16,537,290 shares at an average price of \$0.00526 per share in lieu of \$87,000 third party fees.

## Subsequent Events

On 1 September 2017 the Company announced that it had received a writ from MEC in the amount of \$270,000 plus interest and costs. The Company had previously announced on 4 July 2017 that BPH is entitled to payment on demand of \$338,050 from MEC and intends to defend the claim from MEC and counterclaim to recover \$338,050 plus interest and costs from MEC.

There are no matters or circumstances that have arisen since the end of the financial year other than outlined elsewhere in this financial report that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

## Environmental Issues

The consolidated entity's operations are not regulated by any significant environmental regulation under law of the Commonwealth or of a state or territory.

## Non-Audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2017 (2016: Nil).

## Future Developments

The Company will continue its investment in energy resources and to assist its investee companies to commercialise breakthrough biomedical research developed in universities, medical institutes and hospitals.

## Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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. The Company was not a party to any such proceedings during the year.

# Directors' Report

BPH Energy Limited and its controlled entities

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## Information on Directors

### D L Breeze

*Managing Director and Executive Chairman – Age 63*

Shares held – 77,669,486

Unlisted options held – Nil

David is a Corporate Finance Specialist with extensive experience in the stock broking industry and capital markets. He has been a corporate consultant to Daiwa Securities; and held executive and director positions in the stock broking industry. David has a Bachelor of Economics and a Masters of Business Administration, and is a Fellow of the Financial Services Institute of Australasia, and a Fellow of the Institute of Company Directors of Australia. He has published in the Journal of Securities Institute of Australia and has also acted as an Independent Expert under the Corporations Act. He has worked on the structuring, capital raising and public listing of over 70 companies involving in excess of \$250M. These capital raisings covered a diverse range of areas including oil and gas, gold, food, manufacturing and technology.

During the last 3 years David has held the following listed company directorships:

Grandbridge Limited (from December 1999 to present)

MEC Resources Limited (from April 2005)\*

\*David Breeze was a Director of MEC and Advent from April 2005 and November 2005 respectively and was removed from the ASIC register by MEC and Advent directors from MEC on 23 November 2016 and Advent on 26 November 2016. He has neither resigned or nor removed by shareholders and disputes the actions taken by the Directors of each company.

David is also a director of Cortical Dynamics Limited, Molecular Discovery Systems Limited and Diagnostic Array Systems Limited.

### T Fontaine

*Non-Executive Director – Age 53*

Shares held – 4,384,446

Unlisted options held – 2,000,000

Tom is a reservoir engineer with over 25 years of experience in project evaluation management, development and capital raising. Tom has been part owner of petroleum engineering companies Epic Consulting in Canada and Focal Petroleum in Australia and has provided technical services to many companies worldwide. He is also primarily responsible for the startup and subsequent listing on ASX of Bounty Oil & Gas NL in 2002, and Coal Bed Methane Company Pure Energy Resources Pty Ltd in 2006 which was acquired in 2009 by BG Group PLC in a \$1 billion takeover. Tom is also currently involved with several small exploration companies in Canada, Russia, Cuba, Nepal, Timor Leste and Africa. During the last 3 years Tom has held the following listed company directorships.

Magnum Gas and Power Limited (from August 2010 to December 2016)

### A Huston (appointed 26 June 2017)

*Non-Executive Director – Age 62*

Shares held – Nil

Unlisted options held – Nil

Tony Huston has been involved for over 35 years in engineering and hydrocarbon industries for both on and off shore exploration/development. Early career experience commenced with Fitzroy Engineering Ltd, primarily working on development of onshore oil fields. In 1996 Tony formed his own E&P Company on re-entry of onshore wells, primarily targeting shallow pay that had been passed or ignored from previous operations. This

# Directors' Report

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was successful and the two plays opened up 15 years ago are still in operation. Recent focus (10 years) has been to utilise new technology for enhanced resource recovery and has been demonstrated in various fields, including US, Mexico, Oman, Italy and Turkmenistan. During the last 3 years Tony has not held any other listed company directorships.

## **B Whan (resigned 26 June 2017)**

*Non-Executive Director – Age 68*

Shares held at date of resignation – Nil

Unlisted options held at date of resignation – 2,000,000

Bruce Whan, BEng, PhD, FAICD, has a background in industry covering a range of research, operations and management positions, followed by a long career in the management of innovation and commercialisation of R&D, in particular from the public research sector.

For 12 years he was a Director of Swinburne Knowledge and CEO of Swinburne Ventures Limited, Swinburne University's commercialisation Company. Bruce was a member of the Commercialisation Australia board and has been director of several companies, mostly start-ups out of Swinburne, and for 10 years was Chairman of the Victorian Innovation Centre Limited (INNOVIC), a non-profit Company assisting innovators at all levels. He is also a Director of one Cooperative Research Centre. Bruce has in-depth knowledge and working experience of the challenges of the innovation process and of bringing the outputs of R&D through the commercialisation process to successful market entry.

During the last 3 years Bruce has not held any other listed company directorships.

Bruce is also a Director of Molecular Discovery Systems Limited and Cortical Dynamics Limited.

## **G Gilbert (resigned 1 June 2017)**

*Executive Director – Age 69*

Shares held at date of resignation – 961,538

Unlisted options held at date of resignation – 2,000,000

Greg is a specialist in strategy and planning and most recently was the Science Adviser to the Federal Minister for Industry and Science. He has a Masters in Science from Cranfield University in the UK and, in addition, has a Masters in Health Administration from La Trobe University, an MBA from Deakin University, a BA from the University of Queensland, and a Dip.App Sc from the Royal Military College Duntroon. He is currently undertaking a doctorate with a research interest in productivity efficiency.

Greg has an extensive background in the health and aged care sector as well as in merchant banking and banking, having held the positions in global strategy and finance with the National Australia Bank, as well as having worked in executive roles with Capel Court Investment Bank, and CIBC Australia Limited.

Greg has also worked with the National Australia Bank as an Internal Consultant on strategic operational reviews with McKinsey and Company and Booz Allen and Hamilton consultants.

A former Lieutenant Colonel in the Australian Defence Force, he has extensive senior management experience in strategic planning, financial management, change management and project management as well as merchant banking and corporate advisory experience in mergers and acquisitions and valuations.

During the last 3 years Greg has not held any other listed company directorships.

# Directors' Report

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## Remuneration Report (Audited)

This report details the nature and amount of remuneration for key management personnel of BPH Energy. The Remuneration Report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity. The information provided in the Remuneration Report has been audited as required by Section 308(3C) of the Corporations Act 2001.

### *Key Management Personnel*

The Directors and other key management personnel of the Group during or since the end of the financial year were:

D L Breeze -	Executive Chairman and Managing Director Company Secretary (appointed 23 November 2016)
T Fontaine –	Non Executive Director
A Huston -	Non Executive Director (appointed 26 June 2017)
G Gilbert –	Non Executive Director (resigned 1 June 2017)
B Whan –	Non-Executive Director (resigned 26 June 2017)
D Ambrosini –	Company Secretary (resigned 23 November 2016)

All the parties have held their current position for the whole of the financial year and since the end of the financial year unless otherwise stated.

### *Remuneration Policy*

The remuneration policy of BPH Energy Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives as determined by the board and/or shareholders. The remuneration report as contained in the 2016 financial accounts was adopted at the Company's 2016 annual general meeting. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options.
- The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the amount of their workloads and responsibilities for the Company. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives which receive salaries receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits.

# Directors' Report

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Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using an appropriate valuation methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The maximum pool of non-executive director fees approved by shareholders is \$250,000. Payments to non-executive directors are based on market practice, duties and accountability. Independent external advice is sought when required on payments to non-executive directors. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan. The board does not have a policy in relation to the limiting of risk to directors and executives in relation to the shares and options provided.

## *Employment Contracts of Directors and Senior Executives*

The employment conditions of the Managing Director, David Breeze, is formalised in a Product Development Agreement. The engagement is automatically extended for a period of 2 years at each anniversary date unless the Managing Director or the Company give notice of termination prior to the expiry of each term. The agreement stipulates the Managing Director may terminate the engagement with a six month notice period. The company may terminate the agreement without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment of up to twelve months of the individual's fixed salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

## *Details of Remuneration for the year ended 30 June 2017*

The remuneration for each key management personnel of the consolidated entity during the year was as follows:

### 2017

Key Management Person	Short-term Benefits				Post-employment Benefits
	Salary and fees	Bonus	Non-cash benefit	Other	Superannuation
D L Breeze	148,000	-	-	-	-
T Fontaine	25,000	-	-	-	-
B Whan	24,728	-	-	-	-
G Gilbert	22,913	-	-	-	-
A Huston	411	-	-	-	-
D Ambrosini	-	-	-	-	-

  

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related	Compensation Relating to Options
		Other	Equity			
				\$	%	%
D L Breeze	-	-	-	148,000	-	-
T Fontaine	-	-	-	25,000	-	-
B Whan	-	-	-	24,728	-	-
G Gilbert	-	-	5,680	28,593	-	19.9%
A Huston	-	-	-	411	-	-
D Ambrosini	-	-	-	-	-	-

# Directors' Report

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## 2016

Key Management Person	Short-term Benefits				Post-employment Benefits
	Salary and fees	Bonus	Non-cash benefit	Other	Superannuation
D L Breeze	148,000	-	-	-	-
T Fontaine	25,000	-	-	-	-
B Whan	25,000	-	-	-	-
G Gilbert	8,333	-	-	-	-
D Ambrosini	-	-	-	-	-

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related	Compensation Relating to Options
		Other	Equity	Options	\$	%
D L Breeze	-	-	-	148,000	-	-
T Fontaine	-	-	14,000	39,000	-	36
B Whan	-	-	-	25,000	-	-
G Gilbert	-	-	-	8,333	-	-
D Ambrosini	-	-	-	-	-	-

### *Interest in the shares and options of the Company and related bodies corporate*

The following relevant interests in shares and options of the Company or a related body corporate were held by key management personnel as at the date of this report

### *Option holdings*

	Balance 1.7.2016 or date of appointment	Granted as Compensation	Options Exercised	Balance 30.6.2017 or date of resignation	Total Vested 30.6.2017 or date of resignation	Total Exercisable and Vested 30.6.2017	Total Unexercisable 30.6.2017
D L Breeze	-	-	-	-	-	-	-
T Fontaine	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
A Huston	-	-	-	-	-	-	-
B Whan	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
G Gilbert	-	2,000,000	-	2,000,000	2,000,000	2,000,000	-
D Ambrosini	5,000,000	-	-	5,000,000	5,000,000	5,000,000	-

# Directors' Report

BPH Energy Limited and its controlled entities

## Shareholdings

Number of shares held directly or indirectly by key management personnel:

	Balance 1.7.2016 or date of appointment	Received as Compensation	Options Exercised	Acquired	Balance 30.6.2017 or date of resignation
D L Breeze	21,334,743	-	-	56,334,743	77,669,486
T Fontaine	2,192,223	-	-	2,192,223	4,384,446
A Huston	-	-	-	-	-
G Gilbert	480,769	-	-	480,769	961,538
B Whan	-	-	-	-	-
D Ambrosini	-	-	-	-	-

## Share based payments:

The following are the share based payment arrangements in existence for those key management personnel at year end:

Grant Date	Date of Expiry	Fair Value at Grant Date	Exercise Price	Vesting Date
20 April 2015	31 March 2020	\$0.0030	\$0.020	At grant date
27 November 2015	30 November 2020	\$0.0070	\$0.020	At grant date
23 November 2016	30 November 2021	\$0.0028	\$0.020	At grant date

There are no further service or performance criteria that need to be met in relation to options granted.

The following grants of share based payment compensation to directors and senior management relate to the current financial year:

Name	Option Series	No. Granted	No. vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
G Gilbert	23 November 2016	2,000,000	2,000,000	100%	-	19.9%

The following table summarises the value of options granted, exercised or lapsed during the year to directors and senior management:

Name	Value of options granted at grant date (i)	Value of options exercised at the exercise date	Value of options lapsed at the date of lapse
G Gilbert	\$5,680	Not applicable	Not applicable

No options were exercised during the year (2016: Nil), and no options lapsed during the year (2016: Nil).

## Underwriting fees

Mr Tom Fontaine received \$548 during the year for underwriting fees in respect of a share issue.

# Directors' Report

BPH Energy Limited and its controlled entities

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## Meetings of Directors

The board consults regularly by phone on matters relating to the Company's operations. Resolutions are passed by circulatory resolution. The Company did not hold any meetings of directors during the financial year.

## Indemnifying Officers or Auditors

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

The Company has paid premiums to insure directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$15,995. The Company has not indemnified the current or former auditor of the Company.

## Options

At the date of this report, the unissued ordinary shares of BPH Energy Ltd under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
1 July 2013	30 June 2018	\$0.08	1,075,000
2 April 2015	31 March 2020	\$0.02	967,500
20 April 2015	31 March 2020	\$0.02	9,000,000
27 November 2015	30 November 2020	\$0.02	2,000,000
23 November 2016	30 November 2021	\$0.02	2,000,000

During the year ended 30 June 2017 no ordinary shares of BPH Energy Ltd were issued on the exercise of options granted under the BPH Energy Ltd Incentive Option Scheme (2016: Nil). No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate. No shares or interest have been issued during or since the end of the financial year as a result of exercise of an option.

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 15.

The directors' report is signed in accordance with a resolution of directors made pursuant to S298(2) of the Corporations Act 2001.



**David Breeze**

Dated this 29 September 2017

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of BPH Energy Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

**Perth, Western Australia**  
**29 September 2017**



**B G McVeigh**  
**Partner**

# Corporate Governance

BPH Energy Limited and its controlled entities

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The Board of Directors of BPH Energy Limited is responsible for the corporate governance of the economic entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

A copy of the Company's Corporate Governance Statement can be found on the Company's website at [www.bphenergy.com.au](http://www.bphenergy.com.au)

# Statement of Profit or Loss and Other Comprehensive Income

## for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

		<b>Consolidated</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
Revenue from ordinary activities	2	216,925	181,758
Other income	2	-	3,000
Share of associates' loss	13	(90,355)	(161,787)
Impairment charge	3	(72,454)	-
Write back of loan	2	61,312	-
Interest expense		(28,726)	(14,321)
Fair value loss on reclassification of associate	3	(1,308,563)	-
Administration expenses		(191,584)	(116,932)
Provision against loans		(551,167)	-
Consulting and legal expenses		(285,065)	(140,188)
Depreciation	3	(22)	(72)
Employee expenses	3	(128,931)	(123,303)
Insurance expenses		(18,593)	(21,151)
Service Fees		(140,335)	(116,945)
Other expenses		(6,743)	(1,505)
Loss before income tax		(2,544,301)	(511,446)
Income tax expense	14	-	-
Loss for the year		(2,544,301)	(511,446)
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Reclassification of revaluation reserve (net of tax)		(15,015,000)	-
Other comprehensive loss (net of tax)	3	(15,015,000)	-
Total comprehensive loss for the period		(17,559,301)	(511,446)
Loss attributable to non-controlling interests		(35,655)	(1,988)
Loss attributable to members of the parent entity		(2,508,646)	(509,458)
Total comprehensive loss attributable to owners of the Company		(17,523,646)	(509,458)
Total comprehensive loss attributable to non-controlling interests		(35,655)	(1,988)
<i>Earnings per share</i>			
Basic and diluted loss per share (cents per share)	6	(0.59)	(0.22)

The accompanying notes form part of and should be read in conjunction with these financial statements.

# Statement of Financial Position

as at 30 June 2017

BPH Energy Limited and its controlled entities

		<b>Consolidated</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	7	613,658	111,648
Trade and other receivables	8	25,059	8,155
Financial assets	10	165,058	97,625
Other current assets	9	17,960	24,417
<b>Total Current Assets</b>		<b>821,735</b>	<b>241,845</b>
<b>Non-Current Assets</b>			
Financial assets	10	5,064,359	2,289,308
Investments in associates	13	493,047	19,915,966
Intangible assets	11	-	72,454
Property, plant and equipment	12	-	22
<b>Total Non-Current Assets</b>		<b>5,557,406</b>	<b>22,277,750</b>
<b>Total Assets</b>		<b>6,379,141</b>	<b>22,519,595</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,284,910	1,217,748
Financial liabilities	16	621,451	987,818
<b>Total Current Liabilities</b>		<b>1,906,361</b>	<b>2,205,566</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	16	86,451	-
<b>Total Non-Current Liabilities</b>		<b>86,451</b>	<b>-</b>
<b>Total Liabilities</b>		<b>1,992,812</b>	<b>2,205,566</b>
<b>Net Assets</b>		<b>4,386,329</b>	<b>20,314,029</b>
<b>Equity</b>			
Issued capital	17	43,454,632	41,828,904
Reserves	18	492,580	15,501,707
Accumulated losses		(39,402,226)	(36,893,580)
Non-controlling interest		(158,657)	(123,002)
<b>Total Equity</b>		<b>4,386,329</b>	<b>20,314,029</b>

The accompanying notes form part of and should be read in conjunction with these financial statements.

# Statement of Changes in Equity

for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

Note	Ordinary share capital \$	Accumulated losses \$	Option reserve \$	Revaluation Reserve \$	Total attributable to owners of the parent entity \$	Non- controlling Interest \$	Total \$
<b>Balance at 1 July 2015</b>	41,759,904	(36,384,122)	469,650	15,015,000	20,860,432	(121,014)	20,739,418
Loss for the period	-	(509,458)	-	-	(509,458)	(1,988)	(511,446)
Total comprehensive income for the year	-	(509,458)	-	-	(509,458)	(1,988)	(511,446)
<i>Transactions with owners in their capacity as owners</i>							
Shares issued for cash	69,000	-	-	-	69,000	-	69,000
Share based payments expense	-	-	17,057	-	17,057	-	17,057
<b>Balance at 30 June 2016</b>	41,828,904	(36,893,580)	486,707	15,015,000	20,437,031	(123,002)	20,314,029
Loss for the period	-	(2,508,646)	-	-	(2,508,646)	(35,655)	(2,544,301)
Other comprehensive loss (net of tax)	-	-	-	(15,015,000)	(15,015,000)	-	(15,015,000)
Total comprehensive loss for the year	-	(2,508,646)	-	(15,015,000)	(17,523,646)	(35,655)	(17,559,301)
<i>Transactions with owners in their capacity as owners</i>							
Shares issued for cash	1,356,462	-	-	-	1,356,462	-	1,356,462
Shares issue costs	(112,772)	-	-	-	(112,772)	-	(112,772)
Shares issued in lieu of consulting fees	87,000	-	-	-	87,000	-	87,000
Shares issued as set-off against loans payable	295,038	-	-	-	295,038	-	295,038
Share based payments expense	-	-	5,873	-	5,873	-	5,873
<b>Balance at 30 June 2017</b>	43,454,632	(39,402,226)	492,580	-	4,544,986	(158,657)	4,386,329

The accompanying notes form part of and should be read in conjunction with these financial statements.

# Statement of Cash Flows

for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

	<b>Consolidated</b>	
<b>Note</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(519,206)	(219,083)
Interest received	3,706	477
Interest paid	(2,180)	-
<b>Net cash (used in) operating activities</b>	<b>20</b> (517,680)	<b>(218,606)</b>
<b>Cash flows from investing activities</b>		
Loans (to) / from related parties	(4,000)	2,692
Investment in unlisted entity	(100,000)	-
<b>Net cash (used in) / provided by investing activities</b>	<b>(104,000)</b>	<b>2,962</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of securities (net of share issue costs)	1,243,690	69,000
Proceeds from borrowings	-	160,000
Repayment of borrowings	(120,000)	-
<b>Net cash provided by financing activities</b>	<b>1,123,690</b>	<b>229,000</b>
Net increase in cash held	502,010	13,086
Cash and cash equivalents at the beginning of the financial year	111,648	98,562
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7</b> <b>613,658</b>	<b>111,648</b>

The accompanying notes form part of and should be read in conjunction with these financial statements.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies

### Corporate Information

The financial report includes the consolidated financial statements and the notes of BPH Energy Limited and its controlled entities ('consolidated entity' or 'Group').

BPH Energy Limited is a Company incorporated and domiciled in Australia and listed on the Australian Securities Exchange.

The financial report was authorised for issue on 29 September 2017 by the board of directors.

### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. BPH Energy Ltd is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where stated below.

### Financial Position

The consolidated entity has reported a loss after tax for the year ended 30 June 2017 of \$2,544,301 (2016: loss of \$511,446) and has a net cash outflow from operating activities of \$517,680 (2016: outflow of \$218,606). The consolidated entity has a working capital deficit of \$1,084,626 (2016: deficit \$1,963,721). The net assets of the consolidated entity decreased by \$15,924,700 to \$4,386,329 at 30 June 2017.

Included in trade creditors and payables is director fee accruals of \$760,176. The directors have reviewed their expenditure and commitments for the consolidated entity and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources.

The directors have prepared cash flow forecasts, including potential capital raisings, which indicate that the consolidated entity should have sufficient cash flows for a period of at least 12 months from the date of this report. Based on the cash flow forecasts including directors voluntarily suspending cash payments for their director fees the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity is involved in a legal dispute with MEC Resources Ltd. Should the consolidated entity not be successful in raising additional funds through the issue of new equity, should the need arise, or should there be an unfavourable outcome in the legal dispute with MEC Resources Ltd, this may cast doubt as to whether or not the consolidated entity will be able to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities as and when they fall due and in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### Compliance with IFRS

The consolidated financial statements of BPH Energy Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### Accounting Policies

#### (a) Principles of Consolidation

##### (i) Subsidiaries

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.

A list of controlled entities is contained in Note 19 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. 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.

##### (ii) Changes in ownership interests

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### (b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the statement of financial position date.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of profit or loss and other comprehensive income except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### *Tax incentives*

The Company may be entitled to claim special tax deductions in relation to qualifying expenditure. As the Company is not in a position to recognise current income tax payable or current tax expense, a refundable tax offset will be received in cash and recognised as rebate revenue in the period the underlying expenses have been incurred.

### (c) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

#### *Plant and equipment*

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### (c) Property, Plant & Equipment (continued)

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

#### *Depreciation*

The depreciable amount of fixed assets is depreciated on a straight-line basis over their useful lives.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	15 - 33 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

### (d) Financial Instruments

#### *Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

#### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value 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 Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### (d) Financial Instruments (continued)

#### *Classification and Subsequent Measurement*

#### (i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of profit taking, where they are derivatives not held for cash flow hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

#### (ii) 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 using the effective interest rate method.

#### (iii) Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories.

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

#### (iv) Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

#### *Fair value*

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 valuation models using non-market inputs prepared by independent experts.

#### *Impairment*

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity financial instruments, a significant or prolonged decline in the value of the instrument below cost is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### (d) Financial Instruments (continued)

#### *Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

#### *Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

### (e) Impairment of Assets

The Group reviews non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are Grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets (the "cash-generating unit" or "CGU"). An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### (f) Investments in Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The equity method of accounting recognises the Group's share of post-acquisition reserves of its associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Dividends receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Where an investment is classified as a financial asset in accordance with AASB 139, at the date significant influence is achieved, the fair value of the investment needs to be assessed. Any fair value gains are recognised in accordance with the treatment the classification the financial asset as required by AASB 139.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The consolidated entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the a consolidated entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the consolidated entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gains or loss on disposal of the associate or joint venture. In addition, the consolidated entity accounts for all amounts previously recognised other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the consolidated entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### (g) Intangibles

#### *Research*

Expenditure during the research phase of a project is recognised as an expense when incurred.

#### *Patents and Trademarks*

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 10 years.

### (h) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Short term employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Long term employee benefits have been measured at the present value of the estimated future cash outflows to be made for those benefits using the corporate bond rate.

### (i) 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.

### (j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### (k) Revenue and Other Income

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised by reference to the stage of completion of the contract.

All revenue is stated net of the amount of goods and services tax ("GST").

### (l) Goods and Services Tax

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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### (m) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 45 days.

### (n) Share based payments

The fair value of options granted under the Company's Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

### (o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, the directors (see Note 27).

### (p) Earnings per share

Basic earnings per share ("EPS") is calculated as net profit / loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### (q) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

#### *Key judgements — Provision for Impairment of loan receivables*

Included in the accounts of the consolidated entity are secured and unsecured loan receivables of \$2,071,467 (2016: \$2,337,984). The Company raised a provision against its unsecured loans of \$551,167 in the reporting period (2016: \$Nil). This provision can be reversed upon payment of the loans.

#### *Key judgements — Impairment of intangible assets*

An impairment charge of \$72,454 has been recognised by a subsidiary in respect of intangible assets (2016: \$Nil). The carrying value of intangibles at 30 June 2017 was \$Nil (2016: \$72,454).

#### *Key judgements — Investment in Advent Energy Ltd (“Advent”)*

As of 1 January 2017 a judgement was made that, despite owning 27% of Advent, the Company no longer exercised significant influence over Advent and it ceased to be treated as an associate entity from that date. In particular, the Company was not involved in the operational decision making of Advent and did not have access to its operational and financial records.

The discontinuation of equity accounting for this associate triggered a re-assessment of the fair value of the investment in Advent resulting in an expense of \$1,308,563 (2016: \$Nil).- refer to Note 13.

#### *Key estimates - Investment in Molecular Discovery Systems*

The recoverable amount of the investment in Molecular Discovery Systems Limited is considered greater than the carrying amount of the investment and hence no impairment loss was recognised – refer to Note 13.

#### *Key estimates - Investment in Cortical*

The recoverable amount of the investment in Cortical was considered greater than the carrying amount of the investment and hence no impairment loss was recognised – refer to Note 10.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### (r) Application of New and Revised Accounting Standards

#### *Standards and Interpretations applicable to 30 June 2017*

In the year ended 30 June 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

#### *Standards and Interpretations in issue not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. Those which may have a significant impact on the Group are set out below. The Group does not plan to adopt these standards early.

#### AASB 9 Financial Instruments (2014)

AASB 9 (2014), published in December 2014, replaces the existing guidance AASB 9 (2009), AASB 9 (2010) and AASB 139 *Financial Instruments: Recognition and Measurement* and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The new standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment. The Group has assessed these changes and determined that based on the current financial assets and liabilities held at reporting date, the Group will need to reconsider its accounting policies surrounding impairment recognition. The new impairment requirements for financial assets are based on a forward looking 'expected loss model' (rather than the current 'incurred loss model').

The Group does not expect a significant effect on the financial statements resulting from the change of this standard however the Group is in the process of evaluating the impact of the new financial instrument standard. The changes in the Group's accounting policies from the adoption of AASB 9 will be applied from 1 July 2018 onwards.

#### AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. It replaces existing revenue recognition guidance, AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*. AASB 15 is effective from annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The Group's current income is interest income, therefore AASB 15 is not expected to have a material impact on the Group. This however may change depending on the income streams in place when the AASB15 is effective in the financial year beginning 1 July 2018.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies (continued)

### (r) Application of New and Revised Accounting Standards (continued)

#### AASB 16 Leases

AASB 16 replaces the current AASB 17 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases- for the lessee - effectively treating all leases as finance leases. Most leases will be capitalised on the balance sheet by recognising a 'Right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that also adopt AASB 15.

This standard will primarily affect the accounting for the operating leases. As at 30 June 2017, the Group did not have any non-cancellable operating lease commitments, however the potential impact will be dependent on the lease arrangements in place when the new standard is effective. The Group has commenced the process of evaluating the impact of the new lease standard.

No other new standards, amendments to standards and interpretations are expected to affect the Group's consolidated financial statements.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

		<b>Consolidated</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>2.</b>	<b>Revenue</b>		
	<i>Revenue</i>		
	Interest revenue: other entities	213,219	181,292
	Interest revenue : cash accounts	3,706	466
		<u>216,925</u>	<u>181,758</u>
	<i>Other income</i>		
	ATO refund	-	3,000
		<u>-</u>	<u>3,000</u>
	<i>Write back of loan</i>		
	Write back of loan no longer payable	61,312	-
		<u>61,312</u>	<u>-</u>
<b>3.</b>	<b>Expenses Included in loss for the year</b>		
	Depreciation	22	72
	Employee costs		
	- Director fees	123,058	106,246
	- Share based payments other than directors	193	3,057
	- Share based payments to directors	5,680	14,000
	Total employee costs	<u>128,931</u>	<u>123,303</u>
	Impairment charge		
	Intangibles	72,454	-
		<u>72,454</u>	<u>-</u>
	Fair value loss on reclassification of associate		
	Fair value loss	16,323,563	-
	Reclassification of revaluation reserve in relation to associate	(15,015,000)	-
		<u>1,308,563</u>	<u>-</u>

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 4. Key Management Personnel Compensation

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

D L Breeze -	Executive Chairman and Managing Director Company Secretary (appointed 23 November 2016)
T Fontaine –	Non Executive Director
A Huston -	Non Executive Director (appointed 26 June 2017)
G Gilbert –	Non Executive Director (resigned 1 June 2017)
B Whan –	Non-Executive Director (resigned 26 June 2017)
D Ambrosini –	Company Secretary (resigned 23 November 2016)

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	123,052	106,246
Consulting fee	98,000	98,000
Share based payments	5,680	14,000
	<b>226,732</b>	<b>218,246</b>

Included in trade and other payables is current and former director and consulting fee accruals of \$1,220,767 (30 June 2016: \$1,151,613).

<b>Director</b>	<b>Amount owing 30 June 2017 \$</b>
David Breeze	716,558
Thomas Fontaine	43,207
Tony Huston	411
Directors who have previously resigned	460,591
Balance owing at 30 June 2017	1,220,767

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>5. Auditors' remuneration</b>		
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report		
HLB Mann Judd	24,000	16,000
Nexia Perth Audit Services	-	10,525
	<b>24,000</b>	<b>26,525</b>

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 6. Earnings per share

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Total loss per share attributable to ordinary equity holders of the Company	(2,508,646)	(509,458)
Loss used in the calculation of basic loss per share and diluted loss per share	(2,508,646)	(509,458)
For basic and diluted loss per share (cents per share)		
From continuing operations	(0.59)	(0.22)
Total basic loss per share and diluted loss per share	(0.59)	(0.22)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS	426,024,411	235,766,727

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options will result in a decreased net loss per share.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>7. Cash and cash equivalents</b>		
Cash at Bank and in hand	613,658	103,172
Short-term bank deposits	-	8,476
	613,658	111,648

Cash at bank earns interest at floating rates based on daily bank deposit rates.

### Reconciliation of cash

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

Cash and cash equivalents	613,658	111,648
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## 8. Trade and other receivables

### Current

Other receivables	25,059	8,155
	25,059	8,155

## 9. Other Assets

### Current

Prepaid insurance	17,960	24,417
	17,960	24,417

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 10. Financial Assets

	Consolidated	
	2017 \$	2016 \$
<i>Current</i>		
Unsecured loans to other entities:		
Grandbridge Limited	-	55,645
MEC Resources Ltd	2,494	2,494
Advent Energy Ltd	162,564	39,486
	165,058	97,625
<i>Non - current</i>		
Secured Loans to other entities: (a)		
Cortical Dynamics Limited ("Cortical")	1,906,409	1,738,359
Molecular Discovery Systems Limited ("MDS")	-	502,000
Available for sale financial assets at fair value:		
Investments in unlisted entities - Cortical Dynamics Limited	148,949	48,949
Investments in unlisted entities – Advent Energy Ltd (b)	3,009,001	-
	5,064,359	2,289,308

Loan receivables are stated net of the following provisions:

Cortical Dynamics Limited ("Cortical")		
Gross receivable	2,400,579	2,232,529
Less provision	(494,170)	(494,170)
	1,906,409	1,738,359
Molecular Discovery Systems Limited ("MDS")		
Gross receivable	1,141,637	1,092,200
Less provision	(1,141,637)	(590,200)
	-	502,000

### (a) Secured loans

These loans are secured by a charge over all of the assets and undertakings of each entity and interest bearing. Subject to the conditions of the agreement the Company has the right to conversion to satisfy the debt on or before the termination date.

The Company has a convertible loan agreement with MDS at an interest rate of 7.69% per annum. The loan is for a maximum amount of \$500,000 and is to be used for short term working capital requirements. Subject to MDS being admitted to the Official List of ASX ("Official List"), BPH Energy has a right of conversion to satisfy the debt on or before the termination date, being 26 November 2018. As at reporting date the loan had been drawn down by an amount of \$547,167, including capitalised interest (2016: \$502,000). Interest charged on the loan for the period was \$45,166 (2016: \$28,341). During the reporting period the Company recognised a loan provision of \$551,167 resulting in the loan being fully provided for at period end.

The Company has two convertible loan agreements with Cortical. One loan is for a maximum amount of \$500,000 at an interest rate of 8.16% per annum and is to be used for short term working capital requirements. Subject to Cortical being admitted to the Official List BPH Energy has a right of conversion to satisfy the debt on or before the termination date, being 19 November 2018. As at reporting date the loan had been drawn down by an amount of \$584,411, including capitalised interest (2016: \$533,561). Interest charged on the loan for the period was \$50,850.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 10. Financial Assets (continued)

### (a) Secured loans (continued)

On 28th February 2012 BPH Energy entered into a second convertible loan agreement with Cortical. The facility is for an amount of \$1,000,000 at an interest rate of 9.4% per annum and has an annual interest rate of 9.40%. The loan will be used for short term working capital requirements and funding further development of the BAR monitor. BPH Energy has a right of conversion to satisfy the debt on or before the termination date, being 28 February 2019. As at reporting date the loan had been drawn down by an amount of \$1,322,078, including capitalised interest (2016: \$1,204,878). Interest charged on the loan for the period was \$117,201.

- (b) As of 1 January 2017 a judgement was made that, despite owning 27% of Advent, the Company no longer exercised significant influence over Advent and it ceased to be treated as an associate entity from that date. In particular, the Company was not involved in the operational decision making of Advent and did not have access to its operational and financial records. The discontinuation of equity accounting for this associate triggered a re-assessment of the fair value of the investment in Advent as required by accounting standards resulting in a fair value loss expense of \$1,308,563 (2016: \$Nil). Advent's carrying value of its exploration assets in its 30 June 2017 audited financial statements was over \$28 million.

Advent and its subsidiaries have reported current commitments for its exploration permits of \$20,522,500 over the next 12 months. To assist in meeting these commitments, both MEC and Advent have stated they are continually seeking and reviewing potential sources of both equity and debt funding. Advent has stated it is currently in negotiations with a number of parties on the terms of investment and its management has confidence that a suitable outcome will be achieved however there is no certainty at this stage that those discussions will result in further funding being made available.

In relation to Advent's exploration commitments (which include Asset Energy Pty Ltd) completing 200km of 2D seismic and geotechnical studies within the PEP 11 area by 12 August 2016 Advent's wholly owned subsidiary, Asset Energy Pty Ltd, lodged an application in respect of Petroleum Exploration Permit 11 ("PEP11") with the National Offshore Petroleum Titles Administrator ("NOPTA") prior to 30 June 2016 to vary a condition of PEP11, suspend the years 2 and 3 work commitments and request a subsequent extension of the PEP11 permit term. NOPTA is currently assessing the application. This application and those made by Advents for EP386 may not be approved. In addition to the 2D seismic commitment, Advent is committed to drill an exploration well and perform a seismic survey by the end of March 2018 for EP 386.

Asset Energy Pty Ltd has invested over \$25 million in the PEP11 title in recent history, and, along with its JV partner Bounty Oil and Gas NL, is committed to continuing to explore for and ultimately exploit any petroleum accumulations which may be identified in this title area. Other projects may impact the ability of Advent to raise funds.

The application to vary a condition of the title and suspend the years 2 and 3 work commitments was prepared following discussions with NOPTA, however a decision has not been received by Asset Energy from NOPTA. The above conditions indicate the uncertainty that may affect the ability of the Group to realise the carrying value of its investment in Advent in the ordinary course of business. The valuation is dependent on approvals for variations and extension to work programs being approved by government.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 11. Intangible assets

	Consolidated	
	2017 \$	2016 \$
Patent costs capitalised:		
Cost	72,454	72,454
Accumulated amortisation and impairment	(72,454)	-
Net carrying value	-	72,454
Total intangibles	-	72,454

Patent costs include all costs associated with the filing and maintenance of the patents for the Company's technologies.

## 12. Property, Plant and Equipment

*Plant and equipment.*

At cost	41,486	41,486
Accumulated depreciation	(41,486)	(41,464)
Total Property, Plant and Equipment	-	22

### (a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Balance at the beginning of the year	22	94
Depreciation expense	(22)	(72)
Carrying amount at the end of the year	-	22

## 13. Investments accounted for using the equity method

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

Name of Entity	Country of Incorporation	Ownership Interest %		Principal Activity
		2017	2016	
Molecular Discovery Systems Limited	Australia	20%	20%	Biomedical Research

As of 1 January 2017 a judgement was made that, despite owning 27% of Advent, the Company no longer exercised significant influence over Advent and it ceased to be treated as an associate entity from that date. In particular, the Company was not involved in the operational decision making of Advent and did not have access to its operational and financial records.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

	Consolidated	
	2017 \$	2016 \$
<b>13. Investments accounted for using the equity method (continued)</b>		
<i>Shares in Associates</i>		
Advent Energy Limited	-	19,380,613
Molecular Discovery Systems Limited	493,047	535,353
	<u>493,047</u>	<u>19,915,966</u>
 (a) Movements in Carrying Amounts		
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:		
Advent Energy Limited:		
Balance at the beginning of the year	19,380,613	19,511,430
Transfer to financial assets	(19,332,564)	-
Share of associate loss for the year	(48,049)	(130,817)
Balance at end of the year	<u>-</u>	<u>19,380,613</u>
 Molecular Discovery Systems Limited:		
Balance at the beginning of the year	535,353	566,323
Share of associate loss for the year	(42,306)	(30,970)
Balance at end of the year	<u>493,047</u>	<u>535,353</u>

### *Valuation processes*

The directors informally assess the fair value of its investments annually. A formal assessment is performed as necessary by obtaining an external independent valuation report.

The fair value of the Group's investment in MDS is supported by a capital raising completed in MDS in January 2016 at \$0.02 per share, together with on-going operational activities of that entity.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 13. Investments accounted for using the equity method (continued)

### (a) Summarised financial information of associates

As of 1 January 2017 a judgement was made that, despite owning 27% of Advent, the Company no longer exercised significant influence over Advent and it ceased to be treated as an associate entity from that date. In particular, the Company was not involved in the operational decision making of Advent and did not have access to its operational and financial records.

The results of its associates aggregated assets (including goodwill) and liabilities, including the Group's share of net assets and net loss for the period are as follows.

	Total of Associate							Reconciliation to the Carrying Amount				
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Revenues	Loss for the Year	Total Comprehensive Loss for the Year	Net Assets of Associate	Ownership Interest %	Goodwill	Other Adjustments	Carrying Amount of the Group's Interest
<b>2017</b>												
Molecular Discovery Systems Ltd	1,475	179,129	851,356	556,632	62	(211,527)	(211,527)	(245,476)	20	1,487,291	(748,768)	493,047
	1,475	179,129	851,356	556,632	62	(211,527)	(211,527)	(245,476)	20	1,487,291	(748,768)	493,047
<b>2016</b>												
Molecular Discovery Systems Ltd	30,525	312,003	1,358,382	-	173	(154,837)	(154,837)	(203,170)	20	1,487,291	(748,768)	535,353
	30,525	312,003	1,358,382	-	173	(154,837)	(154,837)	(203,170)	20	1,487,291	(748,768)	535,353
Advent Energy Ltd	110,131	28,055,584	5,351,194	-	1,708	(483,134)	(483,134)	6,169,046	27.04	-	13,211,567	19,380,613
	110,131	28,055,584	5,351,194	-	1,708	(483,134)	(483,134)	6,169,046	27.04	-	13,211,567	19,380,613

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

	Consolidated	
	2017 \$	2016 \$
<b>14. Income Tax Expense</b>		
(a) The prima facie tax on loss from operations before income tax is reconciled to the income tax as follows:		
Accounting loss before tax	(2,544,301)	(511,446)
Prima facie tax payable on loss from operations before income tax at 27.5% (2016: 30%)	(699,683)	(153,434)
Add tax effect of:		
Non-deductible expenses	-	57,788
Tax benefit of revenue losses and temporary differences not recognised	699,683	95,646
Income tax expense recognised	-	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	9,640,079	8,466,212
Potential tax benefit @27.5% (2016: 30%)	2,651,022	2,539,864
<b>15. Trade and Other Payables</b>		
<i>Current</i>		
Trade payables	33,823	28,594
Sundry payables and accrued expenses	1,251,087	1,189,154
	1,284,910	1,217,748
Trade payables are non-interest bearing and normally settled within 60 days		
<b>16. Financial Liabilities</b>		
<i>Current</i>		
Borrowings – unsecured	621,451	987,818
	621,451	987,818
<i>Non-Current</i>		
Borrowings – unsecured	86,451	-
	86,451	-
Current borrowings are non-interest bearing. Non-current borrowings include interest accrued at 8.97% per annum. Non-current borrowings will not be called upon for repayment until the Company is financially independent.		

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>17. Issued Capital</b>		
588,702,017 (2016: 235,766,727) fully paid ordinary shares	43,454,632	41,828,904

The Company has no authorised capital and the issued shares do not have a par value.

(a) *Ordinary Shares*

	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>Number</b>	<b>Number</b>
At the beginning of reporting period	41,828,904	41,759,904	235,766,727	235,766,727
Shares issued for cash	1,425,462	-	277,390,265	-
Shares issued at closure of Share Purchase Plan	(69,000)	69,000	-	-
Share issue costs	(112,772)	-	-	-
Shares issued in lieu of consulting fees	87,000	-	16,537,290	-
Shares issued as set-off against loans payable	295,038	-	59,007,735	-
At reporting date	<u>43,454,632</u>	<u>41,828,904</u>	<u>588,702,017</u>	<u>235,766,727</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The market price of the Company's ordinary shares at 30 June 2017 was 0.2 cents per share.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 17. Issued Capital (continued)

### (b) Options

There were 15,042,500 options on issue at the end of the year:

<u>Total number</u>	<u>Exercise price</u>	<u>Expiry date</u>
1,075,000	\$0.080	30 June 2018
967,500	\$0.02	31 March 2020
9,000,000	\$0.02	31 March 2020
2,000,000	\$0.02	30 November 2020
2,000,000	\$0.02	30 November 2021
<u>15,042,500</u>		

There were no options exercised during the year (2016: Nil). The holders of options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

### (c) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

The focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group at 30 June 2017 and 30 June 2016 are as follows:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	613,658	111,648
Other current assets	17,960	24,417
Trade receivables and financial assets	190,117	105,750
Trade payables and financial liabilities	(1,906,361)	(2,205,566)
Net working capital position	<u>(1,084,626)</u>	<u>(1,963,751)</u>

Refer to Note 1 for further details of the Group's financial position and plans to manage the working capital deficit at 30 June 2017.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

	Consolidated	
	2017 \$	2016 \$
<b>18. Reserves</b>		
Options Reserve (a)	492,580	486,707
Asset Revaluation Reserve (b)	-	15,015,000
	492,580	15,501,707
<i>(a) Option Reserve</i>		
The option reserve records items recognised as expenses on the valuation of director and employee share options.		
Opening balance	486,707	469,650
Share based payments	5,873	17,057
Closing balance	492,580	486,707
<i>(b) Asset Revaluation Reserve</i>		
The asset revaluation reserve records the revaluation of available for sale investments to fair value.		
Opening balance	15,015,000	15,015,000
Fair value adjustment to reclassify associate to available for sale investment	(15,015,000)	-
Closing balance	-	15,015,000

The \$15,015,000 reduction in the revaluation reserve relates to the fair valuation of Advent on discontinuation of being equity accounted as an associate. This amount has been recognised in other comprehensive income in the Statement of profit or Loss and Other Comprehensive income.

## 19. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
			2017	2016
<b>Parent Entity</b>				
BPH Energy Ltd	Investment	Australia		
<b>Subsidiaries</b>				
Diagnostic Array Systems Pty Ltd	BioMedical Research	Australia	51.82	51.82

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

BPH owns 51.82% equity interest in Diagnostic Array Systems Pty Ltd ("DAS") and consequentially controls more than half of the voting power of those shares. Mr David Breeze is the Chairman of both entities. BPH therefore has control over the financial and operating policies of DAS. DAS is controlled by the Group and is consolidated in these financial statements. DAS's loss for the year was \$74,003 of which

## Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

\$35,654 was attributable to minority interests. DAS's total assets at year-end were \$1,004 and total liabilities \$362,650, and net equity (\$361,646).

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>20. Cash Flow Information</b>		
(a) Reconciliation of Cash Flow from Operations with Profit after income tax:		
Operating loss after income tax	(2,544,301)	(511,446)
<i>Non-cash items:</i>		
Depreciation and amortisation	22	72
Interest revenue on loans	(213,219)	(181,283)
Write back of loan	(61,312)	-
Fair value loss on reclassification as associate	1,308,563	-
Impairment charge	72,454	-
Share based payment expense	5,873	17,057
Intercompany recharges	-	59,473
Provision against loans	551,167	-
Interest expense on loans	26,545	10,530
Share of Associates' losses	90,355	161,787
Shares issued in lieu of third party fees	87,000	-
<i>Changes in net assets and liabilities,</i>		
Decrease in other assets	6,457	2,896
(Increase) in trade and other receivables	(16,904)	-
Increase in trade payables and accruals	169,620	222,308
<b>Net cash (used in) operating activities</b>	<b>(517,680)</b>	<b>(218,606)</b>
(b) Financing Facilities		
Credit card facility (limit)	20,000	20,000

### 21. Subsequent Events

On 1 September 2017 the Company announced that it had received a writ from MEC in the amount of \$270,000 plus interest and costs. The Company had previously announced on 4 July 2017 that BPH is entitled to payment on demand of \$388,050 from MEC and intends to defend the claim from MEC and counterclaim to recover \$388,050 plus interest and costs from MEC.

There are no matters or circumstances that have arisen since the end of the financial year other than disclosed elsewhere in this report that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 22. Financial Risk Management

### a) Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, investments, accounts receivable and payable, and loans to and from subsidiaries. The main purpose of non-derivative financial instruments is to raise finance for Group operations policies.

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and equity price risk.

#### *Interest rate risk*

Interest rate risk is managed with a mixture of fixed and floating rate financial assets. The Group's financial liabilities are currently not exposed to interest rate risk as the Group has no interest bearing financial liabilities.

#### *Liquidity risk*

The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows.

#### *Credit risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

#### *Equity price risk*

The Group is exposed to equity price risk through its shareholdings in publicly listed entities. Material investments are managed on an individual basis.

#### *Foreign currency risk*

The Group is not exposed to any material risks in relation to fluctuations in foreign exchange rates.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 22. Financial Risk Management (continued)

### b) Financial Instruments

#### *Interest rate risk*

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities with floating rates, based on contractual maturities, is as follows:

<b>2017 Consolidated</b>	<b>Weighted Effective Interest Rate %</b>	<b>Floating Interest Rate \$</b>	<b>Fixed Interest Rate 1 Year or less</b>	<b>Fixed Interest Rate 1 to 5 Years</b>	<b>Non- Interest Bearing \$</b>	<b>Total \$</b>
<b>Assets</b>						
Cash and cash equivalents	0.60	613,658	-	-	-	613,658
Trade and other receivables		-	-	-	25,059	25,059
Financial assets	9.66	-	-	1,906,409	3,323,008	5,229,417
		613,658	-	1,906,409	3,348,067	5,868,134
<b>Liabilities</b>						
Trade and sundry payables		-	-	-	1,284,910	1,284,910
Financial liabilities	8.97	-	-	86,451	621,451	707,902
		-	-	86,451	1,906,361	1,992,812

<b>2016 Consolidated</b>	<b>Weighted Effective Interest Rate %</b>	<b>Floating Interest Rate \$</b>	<b>Fixed Interest Rate 1 Year or less</b>	<b>Fixed Interest Rate 1 to 5 Years</b>	<b>Non- Interest Bearing \$</b>	<b>Total \$</b>
<b>Assets</b>						
Cash and cash equivalents	.009	111,648	-	-	-	111,648
Trade and other receivables		-	-	-	8,155	8,155
Financial assets	8.58	-	2,240,359	-	97,625	2,337,984
		111,648	2,240,359	-	105,780	2,457,787
<b>Liabilities</b>						
Trade and sundry payables		-	-	-	1,217,748	1,217,748
<b>Financial liabilities</b>	8.97	-	285,392	-	702,426	987,818
		-	285,392	-	1,920,174	2,205,566

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 22. Financial Risk Management (continued)

### b) Financial Instruments (continued)

#### *Fair Values*

The fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- For unlisted investments where there is no organised financial market, the fair value has been based on valuation techniques incorporating non-market data prepared by independent valuers.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

	Consolidated 2017		Consolidated 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
<b>Financial Assets</b>				
Available-for-sale financial assets	3,157,950	3,157,950	48,949	48,949
Loans and trade and other receivables	2,071,467	2,071,467	2,337,984	2,337,984
	<u>5,229,417</u>	<u>5,229,417</u>	<u>2,386,933</u>	<u>2,386,933</u>
<b>Financial Liabilities</b>				
Other loans and amounts due	707,902	707,902	987,818	987,818
Trade payables	1,284,910	1,284,910	1,217,748	1,217,748
	<u>1,992,812</u>	<u>1,992,812</u>	<u>2,205,566</u>	<u>2,205,566</u>

#### *Sensitivity Analysis – Interest Rate Risk*

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. The effect on profit and equity as a result of changes in the variable interest rate, with all other variables remaining constant would be as follows:

	Consolidated	
	2017	2016
	\$	\$
Change in loss		
— Increase in interest rate 1%	5,341	621
— Decrease in interest rate by 0.5%	(267)	(310)

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 22. Financial Risk Management (continued)

### b) Financial Instruments (continued)

#### Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The following are the contractual maturities at the end of the reporting period of consolidated financial liabilities.

30 June 2017	Carrying amount	Total	Contractual cash flows			
			2 mths or less	2-12 mths	1-2 years	2-5 years
	\$	\$	\$	\$	\$	\$
<i>Financial liabilities</i>						
Trade and other payables	1,284,910	1,284,910	32,938	1,251,972	-	-
Unsecured loans	707,902	707,902	-	621,451	86,451	-
	<u>1,992,812</u>	<u>1,992,812</u>	<u>32,938</u>	<u>1,873,423</u>	<u>86,451</u>	<u>-</u>

30 June 2016	Carrying amount	Total	Contractual cash flows			
			2 mths or less	2-12 mths	1-2 years	2-5 years
	\$	\$	\$	\$	\$	\$
<i>Financial liabilities</i>						
Trade and other payables	1,217,748	1,217,748	-	1,217,748	-	-
Unsecured loans	987,818	987,818	-	987,818	-	-
	<u>2,205,566</u>	<u>2,205,566</u>	<u>-</u>	<u>1,922,669</u>	<u>-</u>	<u>-</u>

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 22. Financial Risk Management (continued)

### (c) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of consolidated financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between and of the levels for recurring fair value measurements during the year.

Specific valuation techniques used to value financial instruments include:

- For unlisted investments where there is no organised financial market, the fair value has been based on valuation techniques incorporating non-market data prepared by independent valuers.

<b>30 June 2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available for sale financial assets				
- Investments in unlisted entities	-	3,009,001	148,949	3,157,950
<b>Total</b>	<b>-</b>	<b>3,009,001</b>	<b>148,949</b>	<b>3,157,950</b>

<b>30 June 2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available for sale financial assets				
- Investments in unlisted entities	-	-	48,949	48,949
<b>Total</b>	<b>-</b>	<b>-</b>	<b>48,949</b>	<b>48,949</b>

Reconciliation of fair value measurements of financial assets

	<b>2017 (\$)</b>	<b>2016 (\$)</b>
	<b>Level 3</b>	<b>Level 3</b>
Opening balance	48,949	48,949
Shares acquired during the year	100,000	-
Transferred from equity accounted investments - Advent Energy Ltd	3,009,001	-
<b>Closing balance</b>	<b>3,157,950</b>	<b>48,949</b>

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 23. Related Party Transactions

### (a) Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 19 to the financial statements.

### (b) Directors' remuneration

Details of directors' remuneration and retirement benefits are located in the Directors Report and Note 4.

### (c) Directors' equity holdings

	Parent	
	2017 Number	2016 Number
Held as at the date of this report by directors and their director-related entities in BPH Energy Limited		
Ordinary Shares	83,015,470	24,007,735
Share options	2,000,000	4,000,000

Refer to the Remuneration Report in the Directors' Report for details of options granted to directors.

### (d) Directors

The Company has an agreement with Trandcorp Pty Limited on normal commercial terms procuring the services of David Breeze to provide product development services for \$98,000 (2016: \$98,000).

### (e) Director related entities

Grandbridge Limited ("Grandbridge") has a common Managing Director, Mr David Breeze, and is therefore a related party of the Company. During the period Grandbridge charged the Company \$252,595 in administration and service fees. At balance date \$624,966 (2016: \$563,578) was payable to Grandbridge. Grandbridge received \$10,370 during the period for management services in relation to a share placement. Grandbridge's 100% subsidiary, Grandbridge Securities Limited, received \$8,750 in respect of the underwriting of a share issue.

David Breeze was a Director of MEC from April 2005 and was removed from the ASIC register by MEC directors on 23 November 2016. He has neither resigned or nor removed by shareholders and disputes the actions taken by the directors of MEC. During the year the Company recognised an interest expense of \$26,545 on a liability to MMR.

### (f) Receivables, payables and transactions with associates

MDS is a related party of the Company. Refer to Notes 10 and 13 for the Company's investment and loan receivables. During the period the Company charged MDS \$45,166 in loan interest. In addition, a loan receivable exists between the consolidated entity and MDS of \$594,200 (2016:\$590,200). This amount is unsecured, non-interest bearing and repayable on demand. The Company has raised a provision against the full amount of this loan. The provision can be reversed upon payment of the loan.

Advent Energy is a related party of the Company. Refer to Notes 10 and 13 for the Company's investment and loan receivables.

### (g) Other Interests

Cortical is a related party of the Company. Refer to Note 10 for the Company's investment and loan receivables. During the period the Company charged Cortical \$168,051 in loan interest.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## 24. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2017:

Total number	Grant Date	Exercise price	Fair value at grant date	Expiry date
1,075,000	1 July 2013	\$0.080	\$0.0013	30 June 2018
967,500	2 April 2015	\$0.020	\$0.0004	31 March 2020
9,000,000	20 April 2015	\$0.020	\$0.0030	31 March 2020
2,000,000	27 November 2015	\$0.020	\$0.0070	30 November 2020
2,000,000	23 November 2016	\$0.020	\$0.0030	30 November 2021
<b>15,042,500</b>				

All options granted to key management personnel are to purchase ordinary shares in BPH Energy Limited, which confer a right of one ordinary share for every option held.

During the year, 2,000,000 options were issued. The options were issued on 23 November 2016 and expire on 30 November 2021 with a strike price of \$0.02.

The fair value of the options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used.

Fair value at grant date	\$0.003
Share price at grant date	\$0.007
Exercise price	\$0.02
Expected volatility	75%
Expected life	5 years
Expected dividends	Nil
Risk-free interest rate	2.5%
Valuation	\$5,680

The total value of these options was \$5,680 at the date that they were granted.

	Consolidated Group			
	2017		2016	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	13,042,500	0.02	11,367,500	0.02
Granted	2,000,000	0.02	2,000,000	0.02
Expired	-	-	(325,000)	0.16
Outstanding at year-end	15,042,500	0.02	13,042,500	0.03
Exercisable at year-end	15,042,500	0.02	12,039,167	0.02

No options were exercised during the year ended 30 June 2017 (2016: Nil).

Included under employee benefits expense in the profit and loss is \$5,873 for share based expense (2016: \$17,057) of which \$5,680 (2016: \$14,000) relates to options granted to directors, and relates, in full, to equity.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

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## 25. Commitments and Contingencies

At reporting date there are no capital commitments other than those of an associate disclosed in Note 10.

The Company is a party to the following legal actions.

### MEC Resources Ltd (ASX: MMR) Writ – Defence and Counterclaim

The Company has received a writ from MEC Resources Ltd (ASX: MMR) for an amount of \$270,000 plus interest and costs. BPH has previously advised the ASX on 4 July 2017 that BPH is entitled to payment on demand of \$388,050 from MMR. BPH will defend any claim from MMR and counterclaim to recover from MMR the sum of \$388,050 plus interest and costs.

### Statutory Demand

The company has received a statutory demand from Deborah Ambrosini, a former Director of the company for an amount of \$117,481. The Company disputes this position and intends to have the statutory demand set aside. The company has advised Mrs Ambrosini that the conditions precedent for payment has not occurred and that any Directors fees are not due and owing.

### Statutory Demand

The company has received a statutory demand from Goh Hock, a former Director of the company for an amount of \$145,832. The Company disputes this position and intends to have the statutory demand set aside. The company has advised Hock Goh that the conditions precedent for payment has not occurred and that any Directors fees are not due and owing.

# Notes to the Financial Statements for the year ended 30 June 2017

BPH Energy Limited and its controlled entities

## Parent

2017  
\$

2016  
\$

### 26. Parent Entity Disclosures

#### *Financial Position*

##### **Assets**

Current assets	820,732	241,292
Non-current assets	5,490,849	23,218,574
Total asset	6,311,581	23,459,866

##### **Liabilities**

Current liabilities	1,838,801	2,102,742
Non-current liabilities	86,451	-
Total liabilities	1,925,252	2,102,742

##### **Equity**

Issued Capital	43,454,632	41,828,904
Accumulated losses	(39,560,883)	(35,973,487)
Option Reserve	492,580	486,707
Asset Revaluation Reserve	-	15,015,000
Total equity	4,386,329	21,357,124

#### *Financial Performance*

(Loss) after tax for the year	(3,587,396)	(507,321)
Other comprehensive income	-	-
Total comprehensive loss	(3,587,396)	(507,321)

### 27. Operating Segment

Operating segments have been identified on the basis of internal reports of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors. On a regular basis, the board receives financial information on the consolidated entity on a basis similar to the financial statements presented in the financial report, to manage and allocate their resources.

The consolidated entity's only operating segment is investments. The consolidated entity holds investments in two principal industries and these are biotechnology, and oil and gas exploration and development, as disclosed in Note 13.

# Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 17 to 54 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements;
  - (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 entity;
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:
3. the financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 1.
4. the directors have been given the declarations required by S295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors made pursuant to S295(5) of the Corporations Act 2001.



.....  
David Breeze  
Executive Chairman

Dated this 29 September 2017

**INDEPENDENT AUDITOR'S REPORT**

To the members of BPH Limited

**Report on the Audit of the Financial Report***Opinion*

We have audited the financial report of BPH Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of 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.

*Material uncertainty related to going concern*

We draw attention to Note 1 in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*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. In addition to the matter described in the *Material Uncertainty Related to Going Concern*, we have determined the matters described below to be the key audit matters to be communicated in our report.

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: [mailbox@hlbwa.com.au](mailto:mailbox@hlbwa.com.au) | Website: [www.hlb.com.au](http://www.hlb.com.au)

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**Key Audit Matter**
**How our audit addressed the key audit matter**


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**Valuation of financial assets**

Note 10 in the financial report

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The consolidated entity has financial assets of loan receivables totalling \$2,071,467, financial assets and available for sale financial assets at fair value of \$3,157,950 at balance date. The consolidated entity recorded a provision against its loan receivables of \$551,167.

We considered this to be a key audit matter as it is important to users' understanding of the financial statements as a whole and involves judgement in relation to the determination of fair value.

Our procedures included but were not limited to the following:

- We considered the ability of the other party to repay its loan with the consolidated entity to determine if any additional provisions were required.
  - We assessed the consolidated entity's valuation of individual investment holdings. Where readily observable data was available, we sourced that independently.
  - For investments where there was less or little observable market data, including level 2 and 3 holdings as disclosed in note 22, we obtained and assessed other relevant valuation data.
  - We assessed the appropriateness of the disclosures included in the relevant notes to the financial report.
- 

**Loss of significant influence in Advent Energy**

Notes 3 and 10 in the financial report

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During the year the consolidated entity lost significant influence over Advent Energy Limited and it ceased to be treated as an associate. The discontinuation of equity accounting for this associate triggered a re-assessment of the fair value of the investment in Advent as required by accounting standards resulting in a fair value loss on reclassification of \$1,308,563 after accounting for the extinguishment of the related asset revaluation reserve

This was considered a significant event for the consolidated entity. Accounting for this reclassification is complex and involves judgement in relation to the determination of fair value.

Our procedures included but were not limited to the following:

- We examined the available facts to determine if the consolidated entity still had significant influence over Advent Energy Limited.
  - We examined the accounting for the reclassification from associate to available for sale financial assets with regards to the relevant accounting standards.
  - We considered the estimation of the fair value in relation level 2 and 3 inputs as disclosed in note 22 and we considered and assessed other relevant valuation data.
  - We assessed the appropriateness of the disclosures included in the relevant notes to the financial report.
- 

***Information other than the financial report and auditor's report thereon***

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

Our opinion on the financial report does not cover the other information and accordingly 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 this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the directors 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 Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the 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 preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity 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 responsibilities for the audit of the financial report*

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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 consolidated entity'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 directors' 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 consolidated entity'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 consolidated entity 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.

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.

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**

#### *Opinion on the remuneration report*

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of BPH Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 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.



**HLB Mann Judd**  
**Chartered Accountants**



**B G McVeigh**  
**Partner**

**Perth, Western Australia**  
**29 September 2017**

# Additional Securities Exchange Information

BPH Energy Limited and its controlled entities

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this report as follows.

The information is stated as at 19 September 2017.

## 1. Substantial Shareholder

The name of the shareholder who has lodged a substantial shareholder notice with ASX is:

Shareholder	Shares	%
David Breeze, Trandcorp Pty Limited, Grandbridge Limited	77,669,486	13.19

## 2. (a) Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	165,742	0.03%	412
1,001 – 5,000	1,353,403	0.23%	421
5,001 – 10,000	2,554,117	0.43%	325
10,001 – 100,000	34,159,468	5.80%	871
100,001 and over	550,469,287	93.51%	609
	588,702,017	100%	2,638

## (b) Distribution of Unlisted Option Holders

Range of Holding	Option Holders	Number of Options	%
10,001 to 100,000	2	142,500	0.01
100,001 and over	10	14,900,000	99.99
	11	15,042,500	100.00

The number of shareholders holding unmarketable parcels was 2,283.

## 3. Voting Rights - Shares

All ordinary shares issued by BPH Energy Limited carry one vote per share without restriction.

## 4. Voting Rights - Options

The holders of employee options do not have the right to vote.

## 5. Restricted Securities

There are no restricted securities on issue.

## Additional Securities Exchange Information

BPH Energy Limited and its controlled entities

### 6. Twenty Largest Shareholders as at 19 September 2017

The names of the twenty largest shareholders of the ordinary shares of the Company are:

Name	Number of ordinary fully paid shares	% held of issued ordinary capital
Grandbridge Securities Pty Ltd	35,000,000	5.95
Trandcorp Pty Ltd	32,416,664	5.51
Avanteos Investments Limited <1823205 Superannuation A/C>	14,000,000	2.38
Tre Pty Ltd <Time Road Superannuation A/C>	10,000,000	1.7
Mr Mark Andrew Tkocz + Ms Susan Elizabeth Evans <Tkocz Super Fund A/C>	10,000,000	1.7
MEC Resources Ltd	9,375,000	1.59
Mr Victor Harold Petersen	8,999,999	1.53
J P Morgan Nominees Australia Limited	8,955,433	1.52
Mr Richard Alderman	7,000,000	1.19
Mrs Janet Winifred Barlow	6,828,516	1.16
Grandbridge Limited	6,778,200	1.15
Mr Maher Mansour	6,000,000	1.02
Mr Christopher Lindsay Bollam	5,889,080	1.00
BT Portfolio Services Limited <Breeze Super Fund A/C>	5,877,013	1.00
GA & AM Leaver Investments Pty Ltd <GA & AM Leaver S/Fund A/C>	5,740,790	0.98
Mr Leonard Keith Cox + Mrs Eva Marie Cox <Leneva Super Fund A/C>	5,093,187	0.87
Mr Stephen James Cheal + Mrs Christine Iris Cheal <Cheal Super Fund A/C>	5,000,660	0.85
Mr Jovan Knezevic	5,000,000	0.85
MEC Resources Ltd	4,991,095	0.85
Mr Chin Tong Lim	4,980,754	0.85
<b>Total</b>	<b>197,926,391</b>	<b>33.62</b>