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**BPH ENERGY LIMITED**  
ACN 095 912 002

Annual Financial Report 2019

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# Table of Contents

BPH Energy Limited and its controlled entities

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	Page Number
Review of Operations .....	1-4
Directors' Report.....	5-13
Auditor's Independence Declaration.....	14
Corporate Governance Statement .....	15
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	16
Consolidated Statement of Financial Position.....	17
Consolidated Statement of Changes in Equity.....	18
Consolidated Statement of Cash Flows .....	19
Notes to the Consolidated Financial Statements .....	20-54
Directors' Declaration .....	55
Independent Auditor's Report.....	56-59
Additional Securities Exchange Information .....	60-61

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## Company Information

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### Directors

David Breeze – Chairman/Managing Director  
Charles Maling – 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

# Review of Operations

BPH Energy Limited and its controlled entities

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## Operations

On 21 August 2019 the Company announced that it intended to pursue a complementary strategy of making an investment (or investments) in the medical cannabis sector, as it is considered that an investment of this nature is in line with its investee company strategy and, in particular, its biomedical business. The medical cannabis sector is showing significant growth with current developments boosting the sectors viability including the move to legalise cannabis in Canada and the announcement by the UK Government to legalise medical cannabis.

On 2 September 2019 BPH announced it had agreed to acquire an initial investment of 10% (with the option to increase its percentage to 49%) in Patagonia Genetics Pty Ltd (“PG Aust”), the entity that owns a 100% interest in Patagonia Genetics SPA (“PG”), a Chilean entity.

The key terms are:

- (a) BPH agreed to acquire a total 10% interest in PG Aust in consideration for a subscription amount of \$50,000 in cash into the entity and the issue of 150,000,000 BPH shares and payment of \$50,000 by equal instalments over 6 months to the shareholders of PG Aust (“T1 transaction”). The amount of capital issued by BPH for the consideration represents approximately 5.5% of the capital of BPH. The 150,000,000 BPH shares were issued on 30 August 2019 ; and
- (b) BPH is granted the option to acquire a total shareholding of 49% in PG Aust (that is, an additional 39% when added to the original acquisition of a 10% interest) in consideration for a subscription amount of \$700,000 into the entity and the issue of 450,000,000 shares in the capital of BPH (“T2 transaction”).

The transaction will be conditional on appropriate due diligence, and for the T2 transaction, shareholder approval. There was no requirement for a shareholder approval for the T1 transaction as the consideration will be met from the current cash position and the shares issued from the existing 15% ASX Listing Rule 7.1 capacity of BPH.

It is acknowledged as part of the terms sheet and it will be acknowledged in the warranties and representations in the formal agreement that the licence applications are owned by PG and that PG Aust and PG will not apply for or pursue recreational cannabis licences nor make investments in the recreational cannabis space or in any activities or projects using Mistella (unless the transactions have been otherwise approved by ASX).

## Investments

### ***Cortical Dynamics Ltd (“Cortical”), BPH 4.39%***

Cortical announced a number of developments during the period which included:-

- On 16 October 2018 Mr. Gary Todd was appointed as Managing Director of BPH investee Cortical. Mr Todd has extensive sales experience gained over the last thirty years both in Australia and internationally in Medical Devices, FMCG and IT&T markets
- Sydney Adventist Private Hospital in Sydney trialled the Brain Anaesthesia Response Monitoring System known as “BARM” during the first two weeks of July 2019 and positive comments were received from all four anaesthetists that trialled BARM
- LiDCO Ltd UK is currently trialling the “BARM” at Southampton University Hospital through September 2019. In the UK, the LiDCO Group enjoys a leading market share, with over 50% of NHS acute care hospitals using its technology.
- Successful trials of the BARM were carried out at St. Luke's Private Hospital and Strathfield Private Hospital in Sydney. Strathfield is part of the Ramsay Hospital Group. The trials were conducted by Dr Adrian Sultana MD FRCP (Glasg) FANZCA, a consultant anaesthetist. He is a Clinical Lecturer in Anaesthesia at the Australian School of Advanced Medicine, Macquarie University. He is also a director of the International Society for the Perioperative Care of the Obese Patient. Key conclusions from these trials by Dr Sultana trialling BARM during 2018 and in 2019 to date include:

# Review of Operations

BPH Energy Limited and its controlled entities

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- The BARM has shown significant reduction in patients' anaesthesia recovery time using TIVA (Total Intravenous Anaesthesia)
- The Cortical BARM was "Remarkably stable and the responsive signal permitted a new level of belief in the awareness monitoring technique and allowed him me to run cases at a Composite Cortical State (CCS) index of 45 with confidence in early tapering of the patients anaesthesia using TCI (infusions of propofol and remifentanyl)
- The BARM had impressive stability and speed of response. He was able to administer significantly less Dr Sultana reported that "Often when using the BIS/Entropy (monitors), they dramatically lag the patents emergence and I have had patients that take up to 20 minutes to wake up
- In usage with NMB (Neuromuscular Block) he was able to "achieve accuracy, predictability and a smooth wake up"

The BAR Monitor has now been used with approximately 160 patients at Strathfield and St Luke's Hospitals.

Cortical believes these conclusions have significant implications for hospital operations:

- (i) Optimising the dose of anaesthetic agent used can reduce the use of anaesthetic agents, and improve patient turn-around times and lead to cost savings
  - (ii) Facilitate the delivery of higher quality and more reliable service to hospitals and patients
- Cortical advised that it has issued an Offer Information Statement to undertake a capital raising.

Cortical had previously announced it had signed two five-year exclusive distribution agreements, one with a European distribution company, Innomed, covering Belgium, Netherlands and Luxembourg and the other with a South Korean distribution company, Globaluck.

In early November, Mr Louis Delacretaz, Cortical's Chief Technical Officer, attended the Korea Anesthesia 2018 congress in Seoul. Prior to the congress start, Mr. Delacretaz attended a series of meetings organised by Austrade with anaesthesiology professors from the Seoul National University College of Medicine, Konkuk University School of Medicine and the Catholic University of Korea College of Medicine.

Each Professor was actively looking for a substitute for their current monitors as they had strong concerns about the credibility of the current monitors reading. In several meetings they were very interested in a means to determine the patients' pain levels and interested in trialing the BARM as a substitute device.

Cortical engaged an international testing and certification organization to test and certify the BARM to comply with the Korean certification process .The assessment also includes the latest medical safety standard deviations for Australia, New Zealand, European Union and the USA.

The regulatory compliance process to enable distribution of the BARM in Korea has now been significantly advanced.

## ***MEC Resources Limited ("MEC"), BPH 0.9%***

### *Settlement of Legal Matters with MEC*

On 9 August 2019 BPH announced that it had reached a settlement with MEC in relation to the oppression proceedings it commenced in the Supreme Court of Western Australia with Grandbridge, Trandcorp Pty Ltd ("Trandcorp"), and Mr David Breeze.

In addition to the settlement of the oppression proceedings, BPH, MEC, GBA, Trandcorp and Mr David Breeze settled a number of other proceedings and entered into a deed of settlement and release with Advent Energy Ltd ("Advent") and other relevant parties. As part of the settlement it was agreed that Messrs Matthew Battrick and Tobias Foster would appoint Messrs Steven James, Tony Huston and Thomas Fontaine as directors of Advent,

# Review of Operations

BPH Energy Limited and its controlled entities

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and that Messrs Matthew Battrick and Tobias Foster would then resign from the Board of Advent. The Incoming Directors have since confirmed and acknowledged Mr David Breeze as a duly elected director of Advent.

The key terms of the settlement are as follows:

- The appointment of the Incoming Directors and the resignation of the Resigning Directors
- Until 23 July 2021, MEC agrees to not directly or indirectly interfere with the board composition and/or management of Advent.
- For a period of one year commencing from 6 August 2019 MEC must not sell or otherwise dispose of any shares it holds in Advent, other than by an in-specie distribution to MEC if requested in writing to do so by Advent. If notice is given, MEC must do all that is required to effect and support the In-Specie Distribution.
- The loan of \$3,600,000 owed by Advent to MEC will be recoverable by MEC only by the following means and only in the following circumstances:

One month prior to the scheduled commencement date for the drilling of a well within the PEP 11 Permit Area, Advent will issue to MEC ordinary shares to the face value of the debt calculated at 80% of:

- (a) the volume-weighted average price of Advent shares over the 5 days trading immediately prior to that date; or
- (b) if as at that date Advent shares are not listed on any securities exchange, the price at which ordinary shares in Advent were last issued.

## **Advent Energy Ltd (“Advent”), BPH 22.6%**

### (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”). 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).

Advent’s prior presentation ‘Strategic Summary: Tactics to Success ‘ confirmed the strategy of “Complete current 2D seismic commitment to deliver shallow hazard survey work ...to deliver ‘drill ready’ gas prospect ....for early drilling ,capturing near-term rig availability off Australia’s coast.”

In April 2018 Advent undertook a high resolution 2D seismic data over the Baleen prospect designed to evaluate (amongst other things) shallow geohazard indications including shallow gas accumulations that can affect future potential drilling operations. It is a drilling prerequisite that a site survey is made prior to drilling at the Baleen location. On 31 December 2018 MEC announced that there were “no ‘seismically defined shallow gas hazards “at the proposed well location on the Baleen Prospect.

### (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. The petroleum wells Waggon Creek-1, Vienta-1 (EP386) and Weaber-4 (RL1) are cased and suspended. MEC has previously announced a two year extension to the EP386 permit till March 2019.

# Review of Operations

BPH Energy Limited and its controlled entities

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## ***Molecular Discovery Systems Limited, BPH 20%***

Molecular Discovery Systems Limited (“MDSystems”), launched in 2006 and spun off from BPH in 2010, is an associate of BPH.

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 Molecular Cancer Research Group has developed a pre-clinical model of liver cancer where the expression of Hls5 is ablated i.e. it mimics, in part, patients that have low HLS5 (TRIM35) and develop liver cancer.

Research conducted at the Perkins Institute has shown that HLS5 has significant tumour suppressor properties. The Perkins findings are supported by the two independent peer reviewed scientific publications, identifying a role for HLS5 in cancer, demonstrating that the loss of HLS5 expression may be a critical event in the development and progression of liver cancer.

The publications — a collaboration between Fudan University Shanghai Cancer Centre and other Chinese Institutes, including Shanghai Cancer Institute, Liver Cancer Institute, Second Military Medical University and Qi Dong Liver Cancer Institute —focused on identifying the role of HLS5 in liver cancer. The first article demonstrated that HLS5 binds a key enzyme involved in the production of energy for cancer cells (Pyruvate Kinase isoform M2 (PKM2)). They showed that HLS5 binds PKM2 to form a complex which inhibits the activation of PKM2. The formation of this HLS5/PKM2 complex ultimately limits the cancer cell's means of energy production and its ability to proliferate. In the second publication the expression levels of HLS5 and PKM2 were assessed for potential use as a prognostic marker for hepatocellular carcinoma (HCC) - (liver cancer) .The study analysed liver samples of 688 patients who had HCC. The study found that patients who were positive for PKM2 expression and negative for HLS5 expression had poorer overall survival and shorter time to recurrence. Taken together, the findings of both papers further support the research into HLS5 by MDS and the Harry Perkins Institute of Medical Research.

# 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 2019.

## Directors

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

D L Breeze  
A Huston  
C Maling

## Company Secretary

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

## 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 net loss after tax for the year ended 30 June 2019 of \$3,013,043 (2018: loss of \$1,506,758) and has a net cash outflow from operating activities of \$487,427 (2018: outflow of \$466,968). Revenue increased by 17.8% to \$278,227 as the company continued to accrue interest on its secured loans to its investee companies.

The net loss from ordinary activities after tax is after recognising (i) a fair value gain of \$280,372 (2018: \$Nil) (ii) \$Nil impairment charge with respect to Advent Energy Limited (2018: charge of \$1,003,001) and; (iii) \$332,102 consulting and legal costs (2018: \$311,680) (iv) loan provisions of \$2,889,033 (2018: \$77,155)

## 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 a working capital deficit of \$941,825 (2018: deficit \$1,101,201). The net assets of the consolidated entity decreased by \$1,559,556 to \$2,002,259 at 30 June 2019.

Included in trade creditors and payables is current director fee accruals of \$812,783 (2018: \$765,027). 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.

## Significant Changes in State Of Affairs

### *Capital raisings*

During the year BPH issued 1,186,040,241 shares under a one for one non-renounceable entitlement issue ("Rights Issue") at an issue price of \$0.001 per share of which \$1,027,504 was received in cash and \$158,536 satisfied by debt set-off. In addition, during the period BPH raised \$148,000 cash from the issue of placement shares, issued 100,000,000 shares in exchange for 5,555,556 shares in MEC Resources Limited, issued 123,050,000 shares as settlement of consulting fees, and issued 20,000,000 shares as part of director remuneration.

# Directors' Report

BPH Energy Limited and its controlled entities

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## Subsequent Events

On 9 August 2019 BPH announced that it had reached a settlement with MEC in relation to the oppression proceedings it commenced in the Supreme Court of Western Australia with Grandbridge, Trandcorp Pty Ltd ("Trandcorp"), and Mr David Breeze.

In addition to the settlement of the oppression proceedings, BPH, MEC, GBA, Trandcorp and Mr David Breeze settled a number of other proceedings and entered into a deed of settlement and release with Advent Energy Ltd ("Advent") and other relevant parties. As part of the settlement it was agreed that Messrs Matthew Battrick and Tobias Foster would appoint Messrs Steven James, Tony Huston and Thomas Fontaine as directors of Advent, and that Messrs Matthew Battrick and Tobias Foster would then resign from the Board of Advent. The Incoming Directors have since confirmed and acknowledged Mr David Breeze as a duly elected director of Advent.

The key terms of the settlement are as follows:

- The appointment of the Incoming Directors and the resignation of the Resigning Directors
- Until 23 July 2021, MEC agrees to not directly or indirectly interfere with the board composition and/or management of Advent.
- For a period of one year commencing from 6 August 2019 MEC must not sell or otherwise dispose of any shares it holds in Advent, other than by an in-specie distribution to MEC if requested in writing to do so by Advent. If notice is given, MEC must do all that is required to effect and support the In-Specie Distribution.
- The loan of \$3,600,000 owed by Advent to MEC will be recoverable by MEC only by the following means and only in the following circumstances:

One month prior to the scheduled commencement date for the drilling of a well within the PEP 11 Permit Area, Advent will issue to MEC ordinary shares to the face value of the debt calculated at 80% of:

- (a) the volume-weighted average price of Advent shares over the 5 days trading immediately prior to that date; or
- (b) if as at that date Advent shares are not listed on any securities exchange, the price at which ordinary shares in Advent were last issued.

On 9 August 2019 the Company issued 20,000,000 share options with an exercise price of \$0.002 and an expiry date of 9 August 2024 as part of remuneration arrangements with a contractor.

On 21 August 2019 the Company announced that it intended to pursue a complementary strategy of making an investment (or investments) in the medical cannabis sector, as it is considered that an investment of this nature is in line with its investee company strategy and, in particular, its biomedical business. The medical cannabis sector is showing significant growth with current developments boosting the sectors viability including the move to legalise cannabis in Canada and the announcement by the UK Government to legalise medical cannabis. On 2 September 2019 BPH announced it had agreed to acquire an initial investment of 10% (with the option to increase its percentage to 49%) in Patagonia Genetics Pty Ltd ("PG Aust"), the entity that owns a 100% interest in Patagonia Genetics SPA ("PG"), a Chilean entity. On 30 August 2019 the Company issued 150,000,000 fully paid ordinary shares as partial consideration for the acquisition of the initial investment of 10%

On 28 August 2019 the Company issued (i) 282,000,000 fully paid ordinary shares for cash to make investments in oil and gas, medical devices and biotechnology, working capital, debt reduction, and due diligence and review and consideration of proposed investment in medical cannabis, and (ii) 15,000,000 fully paid ordinary shares as an introductory fee for a business transaction.



# Directors' Report

BPH Energy Limited and its controlled entities

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On 17 September 2019 the Company announced that Advent has now terminated by mutual consent the RL Energy Joint Venture Agreement for the PEP11 permit. As a result Advent, through wholly owned subsidiary Asset Energy Pty Ltd, now holds an 85% interest and is operator of the permit (and RL Energy has no further interest). Bounty Oil and Gas NL (ASX: BUY) holds the remaining 15%. The Joint Venture is now reviewing the work program and evaluating proceeding with the drilling of a well at the Baleen drill target subject to approvals of NOPTA and other regulatory authorities.

On 17 September 2019 the Company announced that PG had purchased its first 1,300ltrs of Wonderland Agronutrients products to send samples to major licensed producers and grow shops internationally. PG has secured the exclusive worldwide distribution rights (excluding Chile & Argentina) to Chile's leading cannabis fertilizer and biostimulant range, Wonderland Agronutrients.

On 19 September 2019 the Company announced that Advent has been granted a renewal of Retention Licence 1 (RL1) in the Northern Territory by the NT Department of Primary Industry and Resources for a five-year term concluding in July 2023. Advent, through its wholly owned subsidiary Onshore Energy Pty Ltd, holds a 100 % interest in RL1 and is operator of the Retention Licence. Advent, through Onshore Energy, also holds 100% of EP 386 in addition to RL 1 in the onshore Bonaparte Basin in northern Australia.

There are no other 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.

## Review of Operations

A Review of Operations is set out on pages 1 to 4 and forms part of this Directors' Report.

## 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 2019 (2018: \$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 66*

Shares held – 310,677,944 / 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 Resources Limited (“MEC”) from April 2005 and was removed from the ASIC register by MEC directors on 23 November 2016. He has neither resigned nor been removed by shareholders and disputes the actions taken by the Directors of MEC.

David is also a director of Cortical Dynamics Limited, Molecular Discovery Systems Limited, Diagnostic Array Systems Limited, Advent Energy Limited, Onshore Energy Pty Ltd, and Asset Energy Pty Ltd.

### ***A Huston***

*Non-Executive Director – Age 64*

Shares held – 20,000,000 / Unlisted options held – 2,000,000

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 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.

### ***C Maling***

*Non-Executive Director – Age 65*

Shares held – 44,536 / Unlisted options held – 2,000,000

Mr Charles Maling was formerly the Communications Officer for the Office of the Western Australian State Government Environmental Protection Authority with a responsibility for advising the Chairman of the EPA on media issues. He has a Bachelor of Sociology and Anthropology with a Media minor. Charles worked with the Western Australian State Government Department of the Environment for 14 years and further 8 years for the EPA. His administrative roles included environmental research (including a major study on Perth Metropolitan coastal waters and Western Australian estuaries) environmental regulation and enforcement and media management. In the past three years Charles has held the following listed company directorships:

Grandbridge Limited (November 2016 to present)

# 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 held 2 meetings of directors during the financial year. Attendance by each director during the year were:

Name	Number eligible to attend	Number attended
D Breeze	2	2
A Huston	2	2
C Maling	2	2

## 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 Company has not indemnified the current or former auditors of the Company.

## 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 a 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, Managing Director and Company Secretary
A Huston -	Non-Executive Director
C Maling -	Non-Executive Director

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 2018 financial accounts was not adopted at the Company's 2018 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.

# Directors' Report

BPH Energy Limited and its controlled entities

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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.

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 not lapse.

# Directors' Report

BPH Energy Limited and its controlled entities

## Details of Remuneration for the year ended 30 June 2019

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

### 2019

Key Management Person	Short-term Benefits				Post-employment Benefits
	Salary and fees	Bonus	Non-cash benefit	Other	Superannuation
D L Breeze	148,000	-	-	-	-
C Maling	25,000	-	-	-	-
A Huston	36,335	-	-	-	665

Key Management Person	Long-term Benefits		Share-based payment		Total	Performance Related	Compensation Relating to Securities
	Other	Equity	Options		\$	%	%
D L Breeze	-	-	-		148,000	-	-
C Maling	-	-	-		25,000	-	-
A Huston	-	20,000	-		57,000	-	35.1%

### 2018

Key Management Person	Short-term Benefits				Post-employment Benefits
	Salary and fees	Bonus	Non-cash benefit	Other	Superannuation
D L Breeze	148,000	-	-	-	-
C Maling (appointed 17/10/17)	17,637	-	-	-	-
T Fontaine (resigned 17/10/17)	7,363	-	-	-	-
A Huston	25,000	-	-	-	-

### 2018 (continued)

Key Management Person	Long-term Benefits		Share-based payment		Total	Performance Related	Compensation Relating to Securities
	Other	Equity	Options		\$	%	%
D L Breeze	-	-	-		148,000	-	-
C Maling (appointed 17/10/17)	-	-	717		18,354	-	3.9%
T Fontaine (resigned 17/10/17)	-	-	-		7,363	-	-
A Huston	-	-	717		25,717	-	2.8%

# Directors' Report

BPH Energy Limited and its controlled entities

## 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 1.7.2018	Granted as Compensation	Options Exercised	Balance 30.6.2019	Total Vested 30.6.2019	Total Exercisable and Vested 30.6.2019	Total Unexercisable 30.6.2019
D L Breeze	-	-	-	-	-	-	-
A Huston	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
C Maling	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-

### Shareholdings

	Balance 1.7.2018	Received as Compensation	Options Exercised	Acquired	Balance 30.6.2019
D L Breeze	155,338,972	-	-	155,338,972	310,677,944
A Huston	-	20,000,000	-	-	20,000,000
C Maling	22,268	-	-	22,268	44,536

### Share based payments

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

Grant Date	Date of Expiry	Fair Value at Grant Date	Exercise Price	Number of options	Vesting Date
29 November 2017	30 November 2022	\$0.0004	\$0.020	4,000,000	At grant date

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

There were no grants of share based payment compensation to directors and senior management in the current financial year. No options attributable to key management personnel were exercised or lapsed during the year.

### Company performance, shareholder wealth and director and executive remuneration

The following table shows the gross revenue and the operating result for the last 5 years for the listed entity, as well as the share price at the end of the respective financial years.

	2015	2016	2017	2018	2019
Revenue from ordinary activities	224,420	181,758	216,925	235,824	278,227
Net (loss)	(26,490,513)	(511,446)	(2,544,301)	(1,506,758)	(3,013,043)
Share price at year end	0.53	0.53	0.19	0.08	0.1
Earnings / (loss) per share (cents)	(11.31)	(0.22)	(0.59)	(0.20)	(0.17)

# Directors' Report

BPH Energy Limited and its controlled entities

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## Options

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

Grant Date	Date of Expiry	Exercise Price	Number Under Option
2 April 2015	31 March 2020	\$0.02	795,000
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
29 November 2017	30 November 2022	\$0.02	4,000,000
20 June 2019	20 June 2024	\$0.002	30,000,000
9 August 2019	9 August 2024	\$0.002	20,000,000

During the year ended 30 June 2019 no ordinary shares of the Company were issued on the exercise of options granted under the BPH Energy Ltd Incentive Option Scheme (2018: 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 have been issued during or since the end of the financial year as a result of exercise of an option. No options lapsed unexercised during the year.

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 14.

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 30 September 2019

**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 2019, 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**  
**30 September 2019**

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

**h**l**b.com.au**

**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

**T:** +61 (0)8 9227 7500 **E:** mailbox@h**l**bwa.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.



# 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 2019

BPH Energy Limited and its controlled entities

	Note	Consolidated	
		2019 \$	2018 \$
Revenue from ordinary activities	2	278,227	235,824
Other income	2	17,625	3,720
Share of associates loss	10	(28,006)	(28,500)
Impairment charge	3	-	(1,003,001)
Fair value gain	3	280,372	-
Interest expense		(774)	(1,805)
Administration expenses		(73,928)	(65,591)
Derecognition of financial liability		83,956	-
Provision for doubtful debts		(2,889,033)	(77,155)
Consulting and legal expenses		(332,102)	(311,680)
Directors fees		(100,000)	(100,174)
Insurance expenses		(9,029)	(17,960)
Service fees		(128,640)	(128,640)
Share based payments		(82,422)	(1,434)
Other expenses		(29,289)	(10,362)
(Loss) before income tax		(3,013,043)	(1,506,758)
Income tax expense	11	-	-
(Loss) for the year		(3,013,043)	(1,506,758)
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Reclassification of revaluation reserve (net of tax)		-	-
Other comprehensive profit (net of tax)		-	-
Total comprehensive (loss) for the period		(3,013,043)	(1,506,758)
(Loss) attributable to non-controlling interests		(245)	(918)
(Loss) attributable to members of the parent entity		(3,012,798)	(1,505,840)
Total comprehensive (loss) attributable to owners of the Company		(3,012,798)	(1,505,840)
Total comprehensive (loss) attributable to non-controlling interests		(245)	(918)
<i>Earnings per share</i>			
Basic and diluted (loss) per share (cents per share)	4	(0.17)	(0.20)

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

# Statement of Financial Position

## as at 30 June 2019

BPH Energy Limited and its controlled entities

		<b>Consolidated</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	7	437,316	447,214
Trade and other receivables	8	20,969	19,658
Financial assets	9	190,342	165,058
Other current assets		33,869	4,051
<b>Total Current Assets</b>		<b>682,496</b>	<b>635,981</b>
<b>Non-Current Assets</b>			
Financial assets	9	2,507,543	4,284,920
Investments in associates	10	436,541	464,547
<b>Total Non-Current Assets</b>		<b>2,944,084</b>	<b>4,749,467</b>
<b>Total Assets</b>		<b>3,626,580</b>	<b>5,385,448</b>
<b>Current Liabilities</b>			
Trade and other payables	12	1,424,235	1,323,541
Financial liabilities	13	200,086	413,641
<b>Total Current Liabilities</b>		<b>1,624,321</b>	<b>1,737,182</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	15	-	86,451
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>86,451</b>
<b>Total Liabilities</b>		<b>1,624,321</b>	<b>1,823,633</b>
<b>Net Assets</b>		<b>2,002,259</b>	<b>3,561,815</b>
<b>Equity</b>			
Issued capital	14	45,574,507	44,135,442
Reserves	15	508,436	494,014
Accumulated losses		(43,920,864)	(40,908,066)
Non-controlling interest		(159,820)	(159,575)
<b>Total Equity</b>		<b>2,002,259</b>	<b>3,561,815</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 2019

BPH Energy Limited and its controlled entities

Consolidated	Ordinary share capital	Accumulated losses	Option reserve	Total attributable to owners of the parent entity	Non-controlling Interest	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2017</b>	43,454,632	(39,402,226)	492,580	4,544,986	(158,657)	4,386,329
Loss for the period	-	(1,505,840)	-	(1,505,840)	(918)	(1,506,758)
Total comprehensive loss for the year	-	(1,505,840)	-	(1,505,840)	(918)	(1,506,758)
<i>Transactions with owners in their capacity as owners</i>						
Shares issued for cash	566,940	-	-	566,940	-	566,940
Shares issue costs	(74,161)	-	-	(74,161)	-	(74,161)
Shares issued in lieu of consulting fees	22,000	-	-	22,000	-	22,000
Shares issued as set-off against loans payable	166,031	-	-	166,031	-	166,031
Share based payments expense	-	-	1,434	1,434	-	1,434
<b>Balance at 30 June 2018</b>	44,135,442	(40,908,066)	494,014	3,721,390	(159,575)	3,561,815
Loss for the period	-	(3,012,798)	-	(3,012,798)	(245)	(3,013,043)
Total comprehensive loss for the year	-	(3,012,798)	-	(3,012,798)	(245)	(3,013,043)
<i>Transactions with owners in their capacity as owners</i>						
Shares issued for cash	1,175,504	-	-	1,175,504	-	1,175,504
Shares issue costs	(153,025)	-	-	(153,025)	-	(153,025)
Shares issued in lieu of consulting fees	138,050	-	-	138,050	-	138,050
Shares issued as set-off against loans payable	158,536	-	-	158,536	-	158,536
Shares issued as director remuneration	20,000	-	-	20,000	-	20,000
Shares issued in exchange for ordinary shares in listed entity	100,000	-	-	100,000	-	100,000
Share based payments expense	-	-	14,422	14,422	-	14,422
<b>Balance at 30 June 2019</b>	45,574,507	(43,920,864)	508,436	2,162,079	(159,820)	2,002,259

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 2019

BPH Energy Limited and its controlled entities

	<b>Consolidated</b>	
<b>Note</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(488,458)	(467,999)
Interest received	1,805	2,836
Interest paid	(774)	(1,805)
<b>Net cash used in operating activities</b>	<b>17(a) (487,427)</b>	<b>(466,968)</b>
<b>Cash flows from investing activities</b>		
Loans to other entities	(505,000)	(68,000)
<b>Net cash used in investing activities</b>	<b>(505,000)</b>	<b>(68,000)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of securities (net of share issue costs)	1,112,529	492,778
Repayment of borrowings	<b>17(c) (130,000)</b>	<b>(124,254)</b>
<b>Net cash provided by financing activities</b>	<b>982,529</b>	<b>368,524</b>
Net (decrease) in cash held	(9,898)	(166,444)
Cash and cash equivalents at the beginning of the financial year	447,214	613,658
<b>Cash and cash equivalents at the end of the financial year</b>	<b>17(b) 437,316</b>	<b>447,214</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 2019

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 30 September 2019 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 net loss after tax for the year ended 30 June 2019 of \$3,013,043 (2018: loss of \$1,506,758) and has a net cash outflow from operating activities of \$487,427 (2018: outflow of \$466,968). Revenue increased by 17.8% to \$278,227 as the company continued to accrue interest on its secured loans to its investee companies. The net profit from ordinary activities after tax is after recognising (i) a fair value gain of \$280,372 (2018: \$Nil) (ii) \$Nil impairment charge with respect to Advent Energy Limited (2018: charge of \$1,003,001) (iii) \$332,102 consulting and legal costs (2018: \$311,680) and; (iv) loan provisions of \$2,889,033 (2018: \$77,155). The consolidated entity has a working capital deficit of \$941,825 (2018: deficit \$1,101,201). The net assets of the consolidated entity decreased by \$1,559,556 to \$2,002,259 at 30 June 2019.

Included in trade creditors and payables is current director fee accruals of \$812,783 (2018: \$765,027). 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. Subsequent to year end Grandbridge Limited has confirmed that the \$200,086 loans provided to the consolidated entity at 30 June 2019 will not be called upon for repayment if the BPH directors are of the opinion that such an action would compromise BPH's financial solvency.

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.

Should the consolidated entity not be successful in raising additional funds through the issue of new equity, should the need arise there is a material uncertainty that may cast significant 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 2019

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 16 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 2019

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 2019

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

#### **Current year**

#### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### *Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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

### (d) Financial Instruments (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

#### *Subsequent measurement of financial assets*

##### (i) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

##### (iii) Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139. Any gains or losses recognised in other comprehensive income (OCI) are not recycled upon derecognition of the asset.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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

### (d) Financial Instruments (continued)

#### (iv) Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI. The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is to “hold to collect” the associated cash flows and sell financial assets; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

#### *Impairment of financial assets*

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the ‘expected credit loss (ECL) model’. This replaced AASB 139's ‘incurred loss model’. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Level 1’) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Level 2’).
- ‘Level 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12-month expected credit losses’ are recognised for the first category while ‘lifetime expected credit losses’ are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### *Trade and other receivables and contract assets*

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

#### *Classification and measurement of financial liabilities*

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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

### (d) Financial Instruments (continued)

#### *Prior year*

#### *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.

#### *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.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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

### (d) Financial Instruments (continued)

#### (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.

#### *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.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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

### (e) Impairment of Assets

The Group reviews non-financial assets, other than deferred tax assets, 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.

### (f) 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.

### (g) 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.

### (h) 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.

### (i) 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.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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

### (j) 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 9, 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 9.

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 9. 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 2019

BPH Energy Limited and its controlled entities

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

### (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.

### (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. Trade and other payables are recognised at amortised cost.

### (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 and the fair value of shares and options issued to consultants is measured at the fair value of services received.

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 23).



# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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

### (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.

### (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 loan receivables of \$162,564 (2018: \$2,295,029). The Company recognized a provision of \$2,889,033 against its loans in the reporting period (2018: provision of \$77,155).

#### *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. As a consequence of a legal settlement reached in August 2019 and David Breeze’s confirmation as a director of Advent the Company has resumed significant influence over Advent Energy Limited. The Company currently has a 22.6% direct interest in Advent, and, as part of the legal settlement reached with MEC in August 2019, if at any time before 23 July 2021 Advent has less than 51 members then MEC will, upon written request by BPH, execute an irrevocable proxy in favour of BPH in respect of all business to be considered at any meeting of members of Advent.

An impairment charge of \$Nil (2018: charge of \$1,003,001) has been recognised against this investment in respect of the current reporting period.

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

The investment in Molecular Discovery Systems Limited is carried at fair value, refer to Note 10.

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

The investment in Cortical is carried at fair value, refer to Note 9.

# Notes to the Financial Statements for the year ended 30 June 2019

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 in issue not yet adopted*

The Directors have reviewed new accounting standards and interpretations that have been published that are not mandatory for 30 June 2019 reporting periods. 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 likely to company accounting policies.

#### AASB 16 Leases

AASB 16 replaces AASB 117 *Leases*. AASB 16 removes the classification of leases as either operating leases or finance leases-for the lessee – effectively treating all leases as finance leases. AASB 16 is applicable to annual reporting periods beginning on or after 1 July 2019.

#### Impact on operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. The Group has elected not to early adopt AASB 16 but has conducted an assessment of the impact of the new standard and have determined that there is no material impact.

#### Impact on finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. The consolidated entity does not have any finance leases.

#### *Standards and Interpretations applicable to 30 June 2019*

In the 12 month period ended 30 June 2019, 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.

#### AASB 9 Financial Instruments

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value. Financial instruments are carried at amortised cost if the business model concept can be satisfied. All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss. The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing. The company has applied AASB 9 with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information Accordingly, the information presented for 30 June 2018 has not been restated.

An expected credit loss provision of \$2,823,038 was recognised during the year on the loans with Cortical.

# Notes to the Financial Statements for the year ended 30 June 2019

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

#### AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. 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 or 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.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>2. Revenue</b>		
<i>Revenue</i>		
Interest revenue: other entities	276,422	233,455
Interest revenue : cash accounts	1,805	2,369
	<u>278,227</u>	<u>235,824</u>
<i>Other income</i>		
Loan establishment fees	17,625	3,720
	<u>17,625</u>	<u>3,720</u>
<b>3. Expenses Included in Profit / (Loss) for the Year</b>		
Impairment charge		
Investment in unlisted entity – Advent	-	1,003,000
	<u>-</u>	<u>1,003,000</u>
Fair value gain		
Fair value loss on listed investments	(72,222)	-
Fair value gain on unlisted investments	352,594	-
	<u>280,372</u>	<u>-</u>
<b>4. Earnings per Share</b>		
Total earnings attributable to ordinary equity holders of the Company	(3,012,798)	(1,505,840)
Earnings used in the calculation of basic earnings per share and diluted earnings per share	<u>(3,012,798)</u>	<u>(1,505,840)</u>
For Earnings Per Share (cents per share)		
From continuing operations	(0.17)	(0.20)
Total basic earnings per share and diluted earnings per share	<u>(0.17)</u>	<u>(0.20)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding during the year used in calculating EPS	<u>1,790,200,291</u>	<u>742,486,388</u>

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

## 5. 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, Managing Director and Company Director
C Maling -	Non Executive Director
A Huston -	Non Executive Director

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	99,335	100,000
Post-employment benefits - superannuation	665	-
Consulting fees	110,000	98,000
Share based payments	20,000	1,434
	230,000	199,434

Included in trade and other payables is current and former director and consulting fee accruals of \$1,310,055 (30 June 2018: \$1,265,496).

<b>Director</b>	<b>Amount owing 30 June 2019 \$</b>
David Breeze	727,400
Charles Maling	42,637
Tony Huston	42,746
Directors who have previously resigned	497,272
Balance owing at 30 June 2019	1,310,055

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

## 6. Auditors' Remuneration

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report
- HLB Mann Judd

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
	22,656	25,161

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

	Consolidated	
	2019	2018
	\$	\$
<b>7. Cash and Cash Equivalents</b>		
Cash at Bank and in hand	437,316	447,214
	<u>437,316</u>	<u>447,214</u>
Cash at bank earns interest at floating rates based on daily bank deposit rates.		
<b>Reconciliation of cash</b>		
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	437,716	447,214
	<u>437,716</u>	<u>447,214</u>
<b>8. Trade and other Receivables</b>		
<i>Current</i>		
Other receivables	20,969	19,658
	<u>20,969</u>	<u>19,638</u>

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

## 9. Financial Assets

	Consolidated	
	2019 \$	2018 \$
<i>Current</i>		
Unsecured loans to other entities (interest free):		
MEC Resources Ltd	-	2,494
Secured loans to other entities (interest free):		
Advent Energy Ltd	162,564	162,564
Investments in listed entities		
MEC Resources Ltd (Level 1)	27,778	-
	<u>190,342</u>	<u>165,058</u>
<i>Non - current</i>		
Financial assets at fair value:		
Secured loans to other entities:		
Cortical Dynamics Limited	-	2,129,971
Investments in unlisted entities - Cortical Dynamics Limited (Level 2)	501,543	148,949
Investments in unlisted entities – Advent Energy Ltd (c) (Level 2)	2,006,000	2,006,000
	<u>2,507,543</u>	<u>4,284,920</u>
Loan receivables are stated net of the following provisions:		
Cortical Dynamics Limited		
Gross receivable – secured (b)	2,290,538	2,624,141
Gross receivable – unsecured (a)	1,026,670	-
Less provision	(3,317,208)	(494,170)
	<u>-</u>	<u>2,129,971</u>
Molecular Discovery Systems Limited (d)		
Gross receivable	1,284,517	1,218,522
Less provision	(1,284,517)	(1,218,522)
	<u>-</u>	<u>-</u>

An expected credit loss provision of \$2,823,038 was recognised during the year on the loans with Cortical. It is anticipated that Cortical shareholders will be asked for approval to convert part of the Cortical loans to equity at its upcoming 2019 Annual General Meeting.

- (a) Subsequent to year end the Company has provided a letter confirming these amounts will not be called upon for repayment for at least 12 months from signing the financial report or until such time the Cortical is financially independent. The borrower has provided the Company with an option to convert the loans into ordinary shares in the at the lower of \$0.10 per share and the most recent share placement price achieved by the borrower in the 6 months prior to conversion, being \$0.10 per share. \$532,500 of these loans have an annual interest rate of 8% and the remainder are non-interest bearing.
- (b) 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 agreements the Company has the right to conversion to satisfy the debt on or before the termination date.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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## 9. Financial Assets (continued)

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 July 2021. As at reporting date the loan had been drawn down by an amount of \$699,978, including capitalised interest (2018: \$639,751). Interest charged on the loan for the period was \$60,227 (2018: \$55,340).

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. 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 July 2021. As at reporting date the loan had been drawn down by an amount of \$1,590,560, including capitalised interest (2018: \$1,450,707). Interest charged on the loan for the period was \$140,272 (2018: \$183,559).

- (c) As of 1 January 2017 a judgement was made that, despite a shareholding of 27%, the Company no longer exercised significant influence over Advent Energy Ltd as required by the accounting standards and therefore it has ceased to be treated as an associate of BPH Energy Limited from that date. As a consequence of a legal settlement reached in August 2019 the Company has resumed significant influence over Advent Energy Limited. The investment was accounted for as fair value through profit and loss at 30 June 2019.

In MEC Resources Limited's ("MEC") June 2019 Annual Financial Report it was stated that in order to maintain an interest in the exploration tenements, the group is committed to meet the conditions under which the tenements were granted. These are the subject of applications for variation that remains outstanding as at the time of reporting. Capital expenditure forecasted for at the reporting date but not recognised as liabilities within a period of one year was \$12,750,000, and greater than one year and less than 5 years was \$5,475,000.

Advent is continually seeking and reviewing potential sources of both equity and debt funding. Advent is now embarking on a fresh marketing campaign to attract new investors and/or joint venture partners. Management has confidence that a suitable outcome will be achieved however there is no certainty at this stage that this will result in further funding being made available. 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. If Advent is unable to source further funding for each of PEP11, RL1 and EP 386 each of these permits are at risk.

The above conditions indicate a material uncertainty that may affect the ability of Advent to realise the carrying value of the exploration assets in the ordinary course of business and may affect the ability of the Company to realise the carrying value of its loan receivable and its investment in Advent in the ordinary course of business.

On 17 September 2019 the Company announced that Advent has now terminated by mutual consent the RL Energy Joint Venture Agreement for the PEP11 permit. As a result Advent, through wholly owned subsidiary Asset Energy Pty Ltd, now holds an 85% interest and is operator of the permit (and RL Energy has no further interest). Bounty Oil and Gas NL (ASX: BUY) holds the remaining 15%. The Joint Venture is now reviewing the work program and evaluating proceeding with the drilling of a well at the Baleen drill target subject to approvals of NOPTA and other regulatory authorities.

On 19 September 2019 the Company announced that Advent has been granted a renewal of Retention Licence 1 (RL1) in the Northern Territory by the NT Department of Primary Industry and Resources for a five-year term concluding in July 2023. Advent, through its wholly owned subsidiary Onshore Energy Pty Ltd, holds a 100 % interest in RL1 and is operator of the Retention Licence. Advent, through Onshore Energy, also holds 100% of EP 386 in addition to RL 1 in the onshore Bonaparte Basin in northern Australia. The Company currently has a 22.6% direct interest in Advent. An impairment charge of \$Nil (2018: charge of \$1,003,001) has been recognised against this investment.



# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

## 9. Financial Assets (continued)

- (d) 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 January 2021. As at reporting date the loan had been drawn down by an amount of \$649,818, including capitalised interest (2018: \$596,322). Interest charged on the loan for the period was \$53,496 (2018: \$49,155).

## 10. 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
		2019	2018	
Molecular Discovery Systems Limited	Australia	20%	20%	Biomedical Research

### Consolidated

2019	2018
\$	\$

#### Shares in Associates

Molecular Discovery Systems Limited

436,541	464,547
---------	---------

436,541	464,547
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#### (a) Movements in Carrying Amounts

Movements in the carrying amounts between the beginning and the end of the current financial year:

Molecular Discovery Systems Limited:

Balance at the beginning of the year

464,547	493,047
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Share of associate loss for the year

(28,006)	(28,500)
----------	----------

Balance at end of the year

436,541	464,547
---------	---------

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. As a consequence of a legal settlement reached in August 2019 and David Breeze's confirmation as a director of Advent the Company has resumed significant influence over Advent. The Company currently has a 22.6% direct interest in Advent, and, as part of the legal settlement reached with MEC in August 2019, if at any time before 23 July 2021 Advent has less than 51 members then MEC will, upon written request by BPH, execute an irrevocable proxy in favour of BPH in respect of all business to be considered at any meeting of members of Advent.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

## 10. Investments Accounted for Using the Equity Method (continued)

(b) Summarised financial information of associates

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	Share of Net Assets of Associate	Ownership Interest %	Goodwill	Other Adjustments	Carrying Amount of the Group's Interest
<b>2019</b>												
Molecular Discovery Systems Ltd	955	36,441	888,023	659,282	-	(140,030)	(140,030)	(301,982)	20	1,487,291	(748,768)	436,541
	955	36,441	888,023	659,282	-	(140,030)	(140,030)	(301,982)	20	1,487,291	(748,768)	436,541
<b>2018</b>												
Molecular Discovery Systems Ltd	1,529	107,785	873,406	605,786	-	(142,496)	(142,496)	(273,976)	20	1,487,291	(748,768)	464,547
	1,529	107,785	873,406	605,786	-	(142,496)	(142,496)	(273,976)	20	1,487,291	(748,768)	464,547

### 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 carrying 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. Research conducted at the Perkins Institute has shown that HLS5 has significant tumour suppressor properties. The Perkins findings are supported by the two independent peer reviewed scientific publications, identifying a role for HLS5 in cancer, demonstrating that the loss of HLS5 expression may be a critical event in the development and progression of liver cancer. The publications — a collaboration between Fudan University Shanghai Cancer Centre and other Chinese Institutes, including Shanghai Cancer Institute, Liver Cancer Institute, Second Military Medical University and Qi Dong Liver Cancer Institute — focused on identifying the role of HLS5 in liver cancer. The first article demonstrated that HLS5 binds a key enzyme involved in the production of energy for cancer cells (Pyruvate Kinase isoform M2 (PKM2)). They showed that HLS5 binds PKM2 to form a complex which inhibits the activation of PKM2. The formation of this HLS5/PKM2 complex ultimately limits the cancer cell's means of energy production and its ability to proliferate. In the second publication the expression levels of HLS5 and PKM2 were assessed for potential use as a prognostic marker for hepatocellular carcinoma (HCC) - (liver cancer). The study analysed liver samples of 688 patients who had HCC. The study found that patients who were positive for PKM2 expression and negative for HLS5 expression had poorer overall survival and shorter time to recurrence. Taken together, the findings of both papers further support the research into HLS5 by MDS and the Harry Perkins Institute of Medical Research.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

	Consolidated	
	2019	2018
	\$	\$
<b>11. Income Tax Expense</b>		
(a) The prima facie tax on the loss from operations before income tax is reconciled to the income tax as follows:		
Accounting loss before tax	(3,013,043)	(1,506,758)
Prima facie tax (benefit) on the loss from operations before income tax at 27.5% (2018: 27.5%)	(828,586)	(414,358)
Add tax effect of:		
Tax benefit of revenue losses and temporary differences not recognised	828,586	414,358
Income tax expense recognised	-	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	10,225,453	9,639,475
Potential tax benefit at 27.5% (2018: 27.5%)	2,812,000	2,650,856
<b>12. Trade and Other Payables</b>		
<i>Current</i>		
Trade payables	72,463	29,305
Sundry payables and accrued expenses - unrelated	538,989	529,209
Related party payables	812,783	765,027
	1,424,235	1,323,541
Trade payables are non-interest bearing and normally settled within 60 days		
<b>13. Financial Liabilities</b>		
<i>Current</i>		
Borrowings – unsecured – interest free	200,086	413,641
	200,086	413,641
<i>Non-Current</i>		
Borrowings – unsecured – interest free	-	86,451
	-	86,451

As a result of a legal settlement reached in August 2019 the Company has derecognised a non-current financial liability of \$86,451 to MEC Resources Limited.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

	Consolidated 2019 \$	2018 \$
<b>14. Issued Capital</b>		
2,543,277,658 (2018: 966,187,417) fully paid ordinary shares	45,574,507	44,135,412

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

(a) *Ordinary Shares*

	Consolidated		Consolidated	
	2019 \$	2018 \$	2019 Number	2018 Number
At the beginning of reporting period	44,135,442	43,454,632	966,187,417	588,702,017
Shares issued for cash	1,175,504	566,940	1,175,504,193	283,469,930
Share issue costs	(153,025)	(74,161)	-	-
Shares issued in lieu of consulting fees	138,050	22,000	123,050,000	11,000,000
Shares issued as set-off against loans payable	158,536	166,031	158,536,048	83,015,470
Shares issued in exchange for ordinary shares in listed entity	100,000	-	100,000,000	-
Shares issued as director remuneration	20,000	-	20,000,000	-
At reporting date	45,574,507	44,135,442	2,543,277,658	966,187,417

Fully paid ordinary shares do not have a par value, have one vote per share, and carry the right to dividends. The market price of the Company's ordinary shares at 30 June 2019 on ASX was 0.1 cents per share.

(b) *Options*

Refer to Note 21 for options on issue at the end of the financial year. There were no options exercised during the year (2018: 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.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

## 14. Issued Capital (continued)

### (c) Capital risk management (continued)

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 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 2019 and 30 June 2018 is as follows:

	<b>Consolidated</b>	
	<b>2019 (\$)</b>	<b>2018 (\$)</b>
Cash and cash equivalents	437,316	447,214
Other current assets	33,869	4,051
Trade receivables and financial assets	211,311	184,716
Trade payables and financial liabilities	(1,624,321)	(1,737,182)
Net working capital position	<u>(941,825)</u>	<u>(1,101,201)</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 2019.

## 15. Reserves

Option Reserve (a)	508,436	494,014
	<u>508,436</u>	<u>494,014</u>

### (a) Option Reserve

The option reserve records items recognised as expenses on the valuation of director and employee share options.

Opening balance	494,014	492,580
Share based payments	14,422	1,434
Closing balance	<u>508,436</u>	<u>494,014</u>

## 16. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
			2019	2018
<b>Parent Entity</b>				
BPH Energy Ltd	Investment	Australia		
<b>Subsidiaries</b>				
<i>Diagnostic Array Systems Pty Ltd</i>	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.

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 \$509 (2018: loss of \$1,908) of which \$245 (2018: \$918) was attributable to minority interests. DAS's total assets at year-end were \$218 (2018: \$727), total liabilities \$364,281 (2018: \$364,281), and net equity negative \$364,063 (2018: negative \$363,554).

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

	Consolidated	
	2019 \$	2018 \$
<b>17. Cash Flow Information</b>		
(a) Reconciliation of cash flow from operations with loss after income tax:		
Operating loss after income tax	(3,013,043)	(1,506,758)
<i>Non-cash items:</i>		
Fair value gain	(280,372)	-
Interest revenue on loans	(253,992)	(232,714)
Impairment charge	-	1,003,001
Derecognition of financial liability	(83,956)	-
Share based payments	82,422	23,434
Provision against loans	2,889,033	77,155
Share of Associates' losses	28,006	28,500
<i>Changes in net assets and liabilities,</i>		
(Increase) / decrease in other assets	(29,818)	13,909
(Increase) / decrease in trade and other receivables	(1,310)	5,401
Increase in trade payables and accruals	175,603	121,104
<b>Net cash (used in) operating activities</b>	<b>(487,427)</b>	<b>(466,968)</b>
(b) 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	437,316	447,214
(c) Financing facilities		
Credit card limit:		
Cash and cash equivalents	20,000	20,000
(d) Changes in liabilities arising from financing activities – unsecured borrowings		
Balance 1 July	500,092	707,902
Net cash used in financing activities	(130,000)	(124,254)
Shares issued as set of against loans payable	(83,555)	(83,556)
Loan derecognised	(86,451)	-
Balance 30 June	200,086	500,092

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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## 18. Subsequent Events

On 9 August 2019 BPH announced that it had reached a settlement with MEC in relation to the oppression proceedings it commenced in the Supreme Court of Western Australia with Grandbridge, Trandcorp Pty Ltd ("Trandcorp"), and Mr David Breeze.

In addition to the settlement of the oppression proceedings, BPH, MEC, GBA, Trandcorp and Mr David Breeze settled a number of other proceedings and entered into a deed of settlement and release with Advent Energy Ltd ("Advent") and other relevant parties. As part of the settlement it was agreed that Messrs Matthew Batrick and Tobias Foster would appoint Messrs Steven James, Tony Huston and Thomas Fontaine as directors of Advent, and that Messrs Matthew Batrick and Tobias Foster would then resign from the Board of Advent. The Incoming Directors have since confirmed and acknowledged Mr David Breeze as a duly elected director of Advent.

The key terms of the settlement are as follows:

- The appointment of the Incoming Directors and the resignation of the Resigning Directors
- Until 23 July 2021, MEC agrees to not directly or indirectly interfere with the board composition and/or management of Advent.
- For a period of one year commencing from 6 August 2019 MEC must not sell or otherwise dispose of any shares it holds in Advent, other than by an in-specie distribution to MEC if requested in writing to do so by Advent. If notice is given, MEC must do all that is required to effect and support the In-Specie Distribution.
- The loan of \$3,600,000 owed by Advent to MEC will be recoverable by MEC only by the following means and only in the following circumstances:

One month prior to the scheduled commencement date for the drilling of a well within the PEP 11 Permit Area, Advent will issue to MEC ordinary shares to the face value of the debt calculated at 80% of:

- (a) the volume-weighted average price of Advent shares over the 5 days trading immediately prior to that date; or
- (b) if as at that date Advent shares are not listed on any securities exchange, the price at which ordinary shares in Advent were last issued.

On 9 August 2019 the Company issued 20,000,000 share options with an exercise price of \$0.002 and an expiry date of 9 August 2024 as part of remuneration arrangements with a contractor.

On 21 August 2019 the Company announced that it intended to pursue a complementary strategy of making an investment (or investments) in the medical cannabis sector, as it is considered that an investment of this nature is in line with its investee company strategy and, in particular, its biomedical business. The medical cannabis sector is showing significant growth with current developments boosting the sectors viability including the move to legalise cannabis in Canada and the announcement by the UK Government to legalise medical cannabis. On 2 September 2019 BPH announced it had agreed to acquire an initial investment of 10% (with the option to increase its percentage to 49%) in Patagonia Genetics Pty Ltd ("PG Aust"), the entity that owns a 100% interest in Patagonia Genetics SPA ("PG"), a Chilean entity. On 30 August 2019 the Company issued 150,000,000 fully paid ordinary shares as partial consideration for the acquisition of the initial investment of 10%

On 28 August 2019 the Company issued (i) 282,000,000 fully paid ordinary shares for cash to make investments in oil and gas, medical devices and biotechnology, working capital, debt reduction, and due diligence and review and consideration of proposed investment in medical cannabis, and (ii) 15,000,000 fully paid ordinary shares as an introductory fee for a business transaction.

On 17 September 2019 the Company announced that Advent has now terminated by mutual consent the RL Energy Joint Venture Agreement for the PEP11 permit. As a result Advent, through wholly owned subsidiary Asset Energy Pty Ltd, now holds an 85% interest and is operator of the permit (and RL Energy has no further interest). Bounty Oil and Gas NL (ASX: BUY) holds the remaining 15%. The Joint Venture is now reviewing the work program and evaluating proceeding with the drilling of a well at the Baleen drill target subject to approvals of NOPTA and other regulatory authorities.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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## 18. Subsequent Events (continued)

On 17 September 2019 the Company announced that PG had purchased its first 1,300ltrs of Wonderland Agronutrients products to send samples to major licensed producers and grow shops internationally. PG has secured the exclusive worldwide distribution rights (excluding Chile & Argentina) to Chile's leading cannabis fertilizer and biostimulant range, Wonderland Agronutrients.

On 19 September 2019 the Company announced that Advent has been granted a renewal of Retention Licence 1 (RL1) in the Northern Territory by the NT Department of Primary Industry and Resources for a five-year term concluding in July 2023. Advent, through its wholly owned subsidiary Onshore Energy Pty Ltd, holds a 100 % interest in RL1 and is operator of the Retention Licence. Advent, through Onshore Energy, also holds 100% of EP 386 in addition to RL 1 in the onshore Bonaparte Basin in northern Australia.

There are no other 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.

## 19. 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 2019

BPH Energy Limited and its controlled entities

## 19. 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:

2019 Consolidated	Weighted Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate 1 Year or less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing \$	Total \$
<b>Assets</b>						
Cash and cash equivalents	0.46	437,316	-	-	-	437,316
Trade and other receivables		-	-	-	20,969	20,969
Financial assets		-	-	-	2,697,885	2,697,885
		437,316	-	-	2,718,854	3,145,170
<b>Liabilities</b>						
Trade and sundry payables		-	-	-	1,424,235	1,424,235
Financial liabilities		-	-	-	200,086	200,086
		-	-	-	1,624,321	1,624,321

  

2018 Consolidated	Weighted Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate 1 Year or less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing \$	Total \$
<b>Assets</b>						
Cash and cash equivalents	0.55	447,214	-	-	-	447,214
Trade and other receivables		-	-	-	19,658	19,658
Financial assets	9.00	-	-	2,129,971	2,320,007	4,449,978
		447,214	-	2,129,971	2,339,665	4,916,850
<b>Liabilities</b>						
Trade and sundry payables		-	-	-	1,323,541	1,323,541
Financial liabilities	-	-	-	-	500,092	500,092
		-	-	-	1,823,633	1,823,633

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

## 19. 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 2019		Consolidated 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
<b>Financial Assets</b>				
Investment in unlisted entities	2,507,543	2,507,543	2,154,949	2,154,949
Investment in listed entities	27,778	27,778	-	-
Loans and trade and other receivables	162,564	162,564	2,295,029	2,295,029
	<u>2,697,885</u>	<u>2,697,885</u>	<u>4,449,978</u>	<u>4,449,978</u>
<b>Financial Liabilities</b>				
Other loans and amounts due	200,086	200,086	500,092	500,092
Trade payables	1,424,235	1,424,235	1,323,541	1,323,541
	<u>1,624,321</u>	<u>1,624,321</u>	<u>1,823,633</u>	<u>1,823,633</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	
	2019	2018
	\$	\$
Change in profit / (loss)		
— Increase in interest rate 1%	4,373	4,472
— Decrease in interest rate by 0.5%	(1,661)	(2,059)

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

## 19. 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 2019	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	1,424,235	1,424,235	72,463	1,351,772	-	-
Unsecured loans	200,086	200,086	-	200,086	-	-
	<u>1,624,321</u>	<u>1,624,321</u>	<u>72,463</u>	<u>1,551,858</u>	<u>-</u>	<u>-</u>

30 June 2018	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	1,323,541	1,323,541	29,305	1,294,236	-	-
Unsecured loans	500,092	500,092	-	413,641	86,451	-
	<u>1,823,633</u>	<u>1,823,633</u>	<u>29,305</u>	<u>1,707,877</u>	<u>86,451</u>	<u>-</u>

### (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.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

## 19. Financial Risk Management (continued)

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

- 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 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 2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit and loss				
- Investments in unlisted entities	-	2,507,543	-	2,507,543
- Investments in listed entities	27,228	-	-	27,228
<b>Total</b>	<b>27,778</b>	<b>2,507,543</b>	<b>-</b>	<b>2,535,321</b>

<b>30 June 2018</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	-	2,006,000	148,949	2,154,949
<b>Total</b>	<b>-</b>	<b>2,006,000</b>	<b>148,949</b>	<b>2,154,949</b>

Reconciliation of fair value measurements of financial assets:

	<b>2019 (\$)</b>	<b>2019 (\$)</b>	<b>2019 (\$)</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Opening balance	-	2,006,000	148,949
Acquisition of listed investments	100,000	-	-
Fair value adjustment	(72,222)	501,543	(148,949)
<b>Closing balance</b>	<b>27,778</b>	<b>2,507,543</b>	<b>-</b>
	<b>2018 (\$)</b>	<b>2018 (\$)</b>	<b>2018 (\$)</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Opening balance	-	3,306,001	148,949
Impairment charge	-	(1,003,001)	-
<b>Closing balance</b>	<b>-</b>	<b>2,006,000</b>	<b>148,949</b>

The \$501,543 fair value of the investment in Cortical is regarded as Level 2 based on the share price Cortical is currently raising capital under its Offer Information Statement

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

## 20. Related Party Transactions

### (a) Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 16 to the financial statements.

### (b) Directors' remuneration

Details of directors' remuneration and retirement benefits are located in the Directors Report and Note 5.

	2019 Number	2018 Number
Held as at the date of this report by directors and their director-related entities in BPH Energy Limited		
Ordinary Shares	330,722,480	155,361,240
Share options	4,000,000	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 (2018: \$98,000), included as part of his fees in the Remuneration Report.

### (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 \$139,140 in administration and service fees (2018: \$152,210). At balance date \$200,083 (2018: \$413,640) was payable to Grandbridge. Grandbridge's 100% subsidiary, Grandbridge Securities Limited, charged the Company \$17,790 (2018: \$Nil) in respect of the management of a share issue.

David Breeze was a Director of MEC Resources Limited ("MEC") from April 2005 and was removed from the ASIC register by MEC directors on 23 November 2016. He has neither resigned nor been removed by shareholders and disputes the actions taken by the Directors of MEC.

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

MDS is a related party of the Company. Refer to Notes 9 and 10 for the Company's loan receivable and investment. During the period the Company charged MDS \$53,495 (2018: \$49,155) in loan interest on a convertible loan with a balance of \$649,818 at year end (2018: \$596,323). The Company has raised a provision against the full amount of this loan. In addition, a loan receivable exists between the consolidated entity and MDS of \$634,700 (2018: \$622,200). This amount is unsecured, non-interest bearing and repayable on demand. The Company has raised a provision against the full amount of this loan.

Advent Energy is a related party of the Company. Refer to Notes 9 for the Company's investment and loan receivables.

### (g) Other Interests

Refer to Note 9 for the Company's investment in and loan receivables with Cortical. During the period the Company charged Cortical \$240,793 (2018: \$184,301) in loan interest and fees.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

## 21. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2019:

Total number	Grant Date	Exercise price	Fair value at grant date	Expiry date
795,000	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
4,000,000	29 November 2017	\$0.020	\$0.0004	30 November 2022
30,000,000	24 June 2019	\$0.002	\$0.0005	24 June 2024
<u>47,795,000</u>				

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.

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	\$0.0005
Share price at grant date	\$0.001
Exercise price	\$0.002
Expected volatility	75%
Expected life	5 years
Expected dividends	Nil
Risk-free interest rate	2.5%
Valuation	\$14,422

	Consolidated Group			
	2019		2018	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	17,795,000	0.02	15,042,500	0.02
Granted	30,000,000	0.002	4,000,000	0.02
Expired / cancelled	-	-	(1,247,500)	0.08
Outstanding at year-end	<u>47,795,000</u>	<u>0.01</u>	<u>17,795,000</u>	<u>0.02</u>
Exercisable at year-end	<u>47,795,000</u>	<u>0.01</u>	<u>17,795,000</u>	<u>0.02</u>

No options were exercised during the year (2018: Nil).

Included under employee benefits expense in the profit and loss is \$82,422 for share based expense (2018: \$1,434) of which \$14,422 (2018: \$1,434) relates to options granted to directors, and \$68,000 (2018: \$Nil) relates to equity.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

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## 22. Commitments and Contingencies

At reporting date there are no capital commitments other than those of Advent Energy Limited, an entity in which the Company currently has a 22.6% direct interest as disclosed in Note 9.

The Company is a party to the following legal actions.

### Statutory Demand

The company received a statutory demand from Deborah Ambrosini, a former Director of the company for an amount of \$117,481. The Company disputes this position. 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 received a statutory demand from Goh Hock, a former Director of the company for an amount of \$145,832. The Company disputes this position. 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.

## 23. 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.

On 21 August 2019 the Company announced that it intended to pursue a complementary strategy of making an investment (or investments) in the medical cannabis sector, as it is considered that an investment of this nature is in line with its investee company strategy and, in particular, its biomedical business. The medical cannabis sector is showing significant growth with current developments boosting the sectors viability including the move to legalise cannabis in Canada and the announcement by the UK Government to legalise medical cannabis. On 2 September 2019 BPH announced it had agreed to acquire an initial investment of 10% (with the option to increase its percentage to 49%) in Patagonia Genetics Pty Ltd ("PG Aust"), the entity that owns a 100% interest in Patagonia Genetics SPA ("PG"), a Chilean entity.

# Notes to the Financial Statements for the year ended 30 June 2019

BPH Energy Limited and its controlled entities

	Company	
	2019	2018
	\$	\$
<b>24. Parent Entity Disclosures</b>		
<b><i>Financial Position</i></b>		
<b>Assets</b>		
Current assets	682,277	635,185
Non-current assets	2,963,289	4,769,154
Total asset	3,645,566	5,404,339
<b>Liabilities</b>		
Current liabilities	1,643,307	1,756,073
Non-current liabilities	-	86,451
Total liabilities	1,643,307	1,842,524
<b>Equity</b>		
Issued Capital	45,574,507	44,135,442
Accumulated losses	(44,080,684)	(41,067,641)
Option Reserve	508,436	494,014
Total equity	2,002,259	3,561,815
<b><i>Financial Performance</i></b>		
Loss after tax for the year	(3,013,043)	(1,506,758)
Other comprehensive income	-	-
Total comprehensive loss	(3,013,043)	(1,506,758)



# Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 16 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 2019 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 30 September 2019

## **INDEPENDENT AUDITOR'S REPORT**

To the members of BPH Energy Limited

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of BPH Energy Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the statement of financial position as at 30 June 2019, the statement profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of BPH Energy Limited is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2019 and of their 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 Company and 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 that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Material uncertainty related to carrying value of investment in and loan to Advent Energy Limited and subsidiaries*

We draw attention to Note 9 in the annual financial report, which indicates a material uncertainty in relation to the consolidated entity's ability to realise the carrying value of its investment in and recoverability of loans to Advent Energy Limited and subsidiaries in the ordinary course of business. Our opinion is not modified in respect of this matter.

**[hlb.com.au](http://hlb.com.au)**

**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

**T:** +61 (0)8 9227 7500 **E:** [mailbox@hlbwa.com.au](mailto:mailbox@hlbwa.com.au)

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*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern and the material uncertainty related to carrying value*.

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<b>Valuation of financial assets</b>	
Notes 9 and 19	
<p>As at 30 June 2019, the consolidated entity had financial assets of loan receivables with a carrying value \$162,564 and financial assets at fair value of \$2,535,321 at balance date.</p> <p>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.</p> <p>The consolidated entity adopted AASB 9 on 1 July 2018. The consolidated entity also recorded a fair value gain of \$280,372 on its financial assets at fair value. The consolidated entity recorded a provision for doubtful debts expense of \$2,889,033 on its loan receivables.</p> <p>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.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- We considered the ability of the other party to repay its loan with the consolidated entity to determine if any additional provisions were required.</li> <li>- We assessed the consolidated entity's valuation of individual investment holdings. Where readily observable data was available, we sourced that independently.</li> <li>- For investments where there was less or little observable market data, including level 2 and level 3 holdings as disclosed in note 19, we obtained and assessed other relevant valuation data.</li> <li>- We assessed the appropriateness of the disclosures included in the relevant notes to the financial report.</li> <li>- An emphasis of matter is included in relation to recoverability of investment and loans in Advent Energy Limited.</li> </ul>

*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 financial report for the year ended 30 June 2019, 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 Company and 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 Company or 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 Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or 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 within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of BPH Energy Limited for the year ended 30 June 2019 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**

**Perth, Western Australia**  
**30 September 2019**



**Brad McVeigh**  
**Partner**

# 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 24 September 2019.

## 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	310,677,944	10.38%
Hongmen Capital Holdings Pty Ltd	161,992,266	5.42%

## 2. (a) Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	388	159,980	0.01%
1,001 – 5,000	363	1,136,200	0.04%
5,001 – 10,000	294	2,311,611	0.08%
10,001 – 100,000	789	30,664,497	1.03%
100,001 and over	1,020	2,956,005,370	98.85%
	<b>2,854</b>	<b>2,990,277,658</b>	<b>100%</b>

The number of shareholders holding unmarketable parcels was 2,097.

## (b) Distribution of Unlisted Option Holders

Range of Holding	Option Holders	Number of Options	%
10,001 to 100,000	1	45,000	0.09
100,001 and over	12	47,750,000	99.91
	<b>13</b>	<b>47,795,000</b>	<b>100.00</b>

## 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 24 September 2019

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
Hongmen Capital Holdings Pty Ltd	161,992,266	5.42
Grandbridge Securities Pty Ltd	140,000,000	4.68
Trandcorp Pty Ltd	129,666,656	4.34
Mr Bilal Ahmad	112,055,575	3.75
Mr Sufian Ahmad	100,000,000	3.34
Mr Mobeen Iqbal	100,000,000	3.34
Protax Nominees Pty Ltd <The Richards Superannuation>	100,000,000	3.34
Protax Nominees Pty Ltd <Richards Super Fund A/C>	100,000,000	3.34
Jgm Property Investments Pty Ltd	100,000,000	3.34
Patagonia Funds Pty Ltd <Critchley Family A/C>	98,175,000	3.28
Mr Bin Liu	95,035,249	3.18
Miguel Serrano	51,825,000	1.73
Avanteos Investments Limited <1823205 Superannuation A/C>	38,000,000	1.27
Mr Greg Hugh Priestley	35,185,160	1.18
Mr Bin Liu	35,000,000	1.17
Mr Ming Li	34,007,734	1.14
Blueknight Corporation Pty Ltd	29,000,000	0.97
Grandbridge Limited	27,112,800	0.91
Mr Mark Andrew Tkocz	26,301,458	0.88
Mr David Nolan	25,000,000	0.84
	<b>1,538,356,898</b>	<b>51.45</b>