

APPENDIX 4E - PRELIMINARY FINAL REPORT

| | |
|---|---------------------------|
| Name of Entity | BPH Energy Limited |
| ABN | 41 095 912 002 |
| Financial Year Ended | Year ended 30 June 2023 |
| Previous Corresponding Reporting Period | Year ended 30 June 2022 |

Results for announcement to the market

\$A'000

| | | | | |
|--|----------------------------|------------------------------------|----|-----|
| Revenues from ordinary activities | Up | 96.1% | to | 304 |
| Net profit from ordinary activities after tax attributable to members (2022: \$1,078,448 loss) | N/A | | | 853 |
| Net profit for the period attributable to members (2022: \$1,078,448 loss) | N/A | | | 853 |
| Dividends (distributions) | Amount per security | Franked amount per security | | |
| Interim and final dividends | Nil | Nil | | |
| Previous corresponding period | Nil | Nil | | |

Ratios

| | 2023 | 2022 |
|---|-------------|-------------|
| Profit / (loss) before tax / revenue | | |
| Consolidated profit / (loss) from ordinary activities before tax as a % of revenue | 280% | (697%) |
| Profit / (loss) after tax / equity interests | | |
| Consolidated net profit / (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period | 4.4% | (7.5%) |
| Net tangible asset backing per ordinary security (cents per share) | 2.1 | 2.2 |

Statement of comprehensive income

Refer attached financial report for the year ended 30 June 2023.

Statement of financial position

Refer attached financial report for the year ended 30 June 2023.

Statement of cash flows

Refer attached financial report for the year ended 30 June 2023.

Dividend reinvestment plans

Not applicable.

Statement of changes in equity

Refer attached financial report for the year ended 30 June 2023.

Gain or loss of control over entities

Refer attached financial report for the year ended 30 June 2023.

BPH Energy Limited

Associates and joint ventures

Refer attached financial report for the year ended 30 June 2023.

Commentary on results for the period

Commentary on the above figures is included in the attached financial report for the year ended 30 June 2023 in the Review of Operations (pages 1 to 8) and the Directors' Report (pages 9 to 23).

Status of audit

The financial report for the year ended 30 June 2023 has been audited and is not subject to dispute or qualification.

The Independent Auditor's Audit Report includes the following Emphasis of Matter paragraph:

"Emphasis of Matter - Material uncertainty related to the carrying value of the loan receivable from, and investment in, Advent Energy Limited

We draw attention to Note 11 in the financial report, which indicates that a material uncertainty exists in relation to the Group's ability to realise the carrying value of its loan receivable from, and investment in, Advent Energy Limited in the ordinary course of business. Our opinion is not modified in respect of this matter"

Refer to the Independent Audit Report within the enclosed financial report.



Sign here:
Director

Date: 16th August 2023

Print name: David Breeze

BPH ENERGY LIMITED

ACN 095 912 002

Annual Financial Report 2023

Table of Contents

BPH Energy Limited and its controlled entities

| | Page Number |
|---|-------------|
| Review of Operations | 1 |
| Directors' Report | 9 |
| Auditor's Independence Declaration | 24 |
| Corporate Governance Statement | 25 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Changes in Equity | 28 |
| Consolidated Statement of Cash Flows | 29 |
| Notes to the Consolidated Financial Statements | 30 |
| Directors' Declaration | 60 |
| Independent Auditor's Report | 61 |
| Additional Securities Exchange Information | 65 |

Company Information

Directors

David Breeze – Chairman / Managing Director
Charles Maling – Non Executive Director
Anthony Huston - Non Executive Director

Registered Office

Unit 12, Level 1
114 Cedric Street
STIRLING WA 6021

Principal Business Address

Unit 12, Level 1
114 Cedric Street
STIRLING WA 6021
Telephone: (08) 9328 8366
Facsimile: (08) 9328 8733
Website: www.bphenergy.com.au
E-mail: admin@bphenergy.com.au

Auditor

HLB Mann Judd (WA Partnership)
Level 4
130 Stirling Street
PERTH WA 6000

Share Registry

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009
Telephone: (08) 9389 8033

Australian Securities

Exchange Listing

ASX Limited
(Home Exchange: Perth, Western Australia)
ASX Codes: BPH
BPHOB

Australian Business Number

41 095 912 002

Review of Operations

BPH Energy Limited

Investments

Advent Energy Ltd (“Advent”), BPH 35.8%

Advent is an unlisted oil and gas exploration and development company with onshore and offshore exploration and near-term development assets around Australia and overseas.

PEP 11 Oil and Gas Permit Offshore Sydney Basin (85%)

Advent, through wholly owned subsidiary Asset Energy Pty Ltd (“Asset”), holds 85% of Petroleum Exploration Permit PEP 11, an exploration permit prospective for natural gas located in the Offshore Sydney Basin, the other 15% being held by Bounty Oil and Gas (ASX:BUY).

PEP 11 is a significant offshore exploration area with large scale structuring and potentially multi-trillion cubic feet (Tcf) gas charged Permo-Triassic reservoirs. Mapped prospects and leads within the Offshore Sydney Basin are generally located less than 50km from the Sydney-Wollongong-Newcastle greater metropolitan area and gas pipeline network.

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. The total P50 Prospective Resource calculated for the PEP11 prospect inventory is 5.7 Tcf with a net 4.9 Tcf to Advent (85%WI, refer the Company’s ASX release of 21 March 2023). The two largest prospects in the inventory are Fish and Baleen.

Advent has previously interpreted significant seismically indicated gas features in PEP11. Key indicators of hydrocarbon accumulation features have been interpreted following review of the 2004 seismic data (reprocessed in 2010). The seismic features include apparent Hydrocarbon Related Diagenetic Zones (“HRDZ”), Amplitude Versus Offset (“AVO”) anomalies and potential flat spots.

In addition, a geochemical report has provided support for a potential exploration well in PEP11. The report reviewed the hydrocarbon analysis performed on sediment samples obtained in PEP11 during 2010. The 2010 geochemical investigation utilised a proprietary commercial hydrocarbon adsorption and laboratory analysis technique to assess the levels of naturally occurring hydrocarbons in the seabed sediment samples. The report supports that the Baleen prospect appears best for hydrocarbon influence relative to background samples. In addition, the report found that the Baleen prospect appears to hold a higher probability of success than other prospects.

Advent has demonstrated considerable gas generation and migration within PEP11, with the mapped prospects and leads highly prospective for the discovery of gas.

Advent is a strong supporter of plans for Net Zero by 2050 and sees the company playing a direct role in achieving that target, especially in New South Wales. It aims to do this in two ways. First, by finding gas closest to Australia’s biggest domestic energy market, gas which can be used to provide reliable back-up for increased uptake of renewable energy in NSW. Second, through its plans to explore for opportunities in offshore NSW for CCS, Carbon Capture and Storage (geo-sequestration of CO₂ emissions), a key clean energy technology.

In February 2023 the resolution of the Federal Court Proceedings (WAD106/2022) between Asset and the Respondents (being the Commonwealth Minister for Resources et al) was announced. The proceedings involved the decision made on 26 March 2022 by the Commonwealth - New South Wales Offshore Petroleum Joint Authority (“Joint Authority”) to refuse Asset Energy’s Application (as PEP 11 Joint Venture operator) for a variation and suspension of the conditions to which PEP 11 is subject and a related refusal to grant an extension of term. The presiding Judge Justice Jackson agreed with the consent position reached by the parties, quashed the decision and concluded that the decision of the Joint Authority was affected by apprehended bias. This was because a fair-minded observer would have reasonably apprehended that the former Prime Minister of Australia, the Hon Scott Morrison MP, as a member of the Joint Authority, did not bring a fair mind to determine Asset

Review of Operations

BPH Energy Limited

Energy's application. Advent has provided further information in April and June 2023 to the National Offshore Petroleum Titles Administrator (NOPTA) in response to requests for updated information subsequent to the decision in the Federal Court proceedings detailed above.

Advent now has two continuing applications with NOPTA for suspension and extension of the PEP11 permit, the first lodged in December 2019 and the second in January 2021. The first application was on the basis of Force Majeure and is the only application which is the subject of the NOPTA notice. The second was under COVID and was accepted but not dealt with pending an outcome on the first application made in December 2019.

Asset Energy continues to progress the joint venture's applications for the variation and suspension of work program conditions and related extension of PEP-11. While the applications for the variation and suspension of work program conditions and related extension of PEP-11 are being considered, Asset is investigating the availability of a mobile offshore drilling unit to drill the proposed Seablue-1 well on the Baleen prospect which would take approximately thirty-five days to complete. Asset is in communication with drilling contractors and other operators who have recently contracted rigs for work in the Australian offshore beginning in the first half of 2024. Work continues progressing the permit commitment including well planning. A draft of the environmental plan has been received and is being reviewed.

The directors have confidence that a suitable outcome will be achieved however there is no certainty at this stage that the application will be successful and / or of further funding being made available. If Asset Energy loses its right of tenure in respect of PEP 11 then book value of capitalised exploration and evaluation expenditure of \$14.49 million will need to be written off to the Statement of Profit or Loss and Other Comprehensive Income.

In the meantime, PEP 11 continues in force and the PEP 11 Joint Venture is in compliance with the contractual terms of PEP 11 with respect to such matters as reporting, payment of rents and the various provisions of the Offshore Petroleum and Greenhouse Gas Storage Act 2006.

Clean Hydrogen Technology Corporation

The Company and its 35.8% investee Advent (together, the "Purchasers") had been assessing new investment opportunities, where there are ever increasing obligations to provide energy solutions with a responsible management and protection against carbon emissions. The transitioning from hydrocarbons such as coal and oil to hydrogen, produced with no emissions, is now presenting real economies and growth globally. Although natural gas also presents continued growth and will play a role for many years to come, it too will need to become a source of energy with no CO2 emissions.

On 2 August 2022 BPH announced that, following its shareholders' meeting on 21 June 2022 at which shareholders voted unanimously to approve an investment in hydrogen technology company Clean Hydrogen Technologies Corporation ("Clean Hydrogen" or "Vendor" or "Borrower"), BPH and its investee Advent Energy Ltd ("Advent" or "Lender") settled for the acquisition of a 10% interest in Clean Hydrogen for \$1,000,000 USD ("Cash Consideration") (8% BPH and 2 % Advent) under a Loan Conversion Agreement dated 25 July 2022 following the payment of US\$535,996 by the Purchasers, which was net of loans, accrued interest and deposits owed to the Purchasers by Clean Hydrogen.

At a proof-of-concept scale, Clean Hydrogen has developed and tested its processing capabilities which have successfully produced hydrogen, with no CO2 emissions achieving on average a 92% cracking efficiency. Clean Hydrogen's development activities have shown that, by processing (not burning) methane using their patented catalyst and a modified fluidised bed reactor, producing hydrogen with no CO2 emissions. This is referred to as turquoise hydrogen. In addition, Clean Hydrogen also produces a second product, used for battery manufacturing, called conductive carbon.

Clean Hydrogen uses methane as its current feedstock and in the future plans to consume natural gas. It does not burn the methane, it processes it, using its own patented catalyst and a bespoke designed fluidised bed reactor. The process it uses is called pyrolysis which is not new and has been used by the oil industry for many years. What is new is Clean Hydrogen's success in the efficiency of its cracking the methane into turquoise hydrogen with non-CO2 emissions and the quality of the carbon black produced being majority conductive carbon with some carbon nano tubes.

Review of Operations

BPH Energy Limited

This process requires similar energy needs as Steam Methane Reforming (“SMR”) and in Clean Hydrogen’s view can be produced at a similar price at scale. Also, it requires no water as part of its process to produce hydrogen.

Importantly, the Clean Hydrogen’s solution is being built with flexibility to work downstream at heavy transport fuelling hubs currently in use in the USA, mid-stream at steel plants replacing coking coal and upstream where the natural gas is processed into hydrogen, a much higher energy source which can be piped for all uses including the production of electricity. As such the technology being developed by Clean Hydrogen’s solution requires very little change and impact to existing infrastructures and supply chains, unlike other solutions. Although Clean Hydrogen consider that electrolysis and other solutions will have their role in the future of hydrogen, they believe the majority of hydrogen will require the advancement of other technologies that can be more ubiquitous, cheaper to produce, use less electricity and operate within existing supply chains.

The Purchasers had a further right of first refusal (“ROFR”) to invest in Clean Hydrogen to a maximum of a further US\$1,000,000 for a further 10%, on or before 31 December 2022. The ROFR conditions were subsequently amended such that it exists when (i) the Vendor does not seek a Series A investment in its equity securities comprising a minimum investment of US\$3,000,000 by 30 April 2023, where such investment values the Vendor in excess of US\$20,000,000 (such investment, a “Qualified Financing”), and (ii) the Vendor determines, in its sole and absolute discretion, that it requires at least a further US\$1,000,000 investment for continued development and operations. Subject to the above, should the Purchasers exercise the ROFR, it must do so within 1 month of the Vendors request for the additional funding. The consideration payable is an aggregate of US\$1,000,000, comprising of US\$800,000 by BPH and US\$200,000 by Advent (“Additional Cash Consideration”) subsequent to which BPH shall hold a total 16% interest in Clean Hydrogen and Advent shall hold a total 4% interest in Clean Hydrogen (based on the assumption that Clean Hydrogen has not issued any additional Clean Hydrogen Shares prior to the ROFR being exercised).

Clean Hydrogen has not sought a Series A Investment in its equity securities comprising a minimum investment of US\$3,000,000, and made a request for additional funding from BPH. Advent has lent Clean Hydrogen US\$500,000 in accordance with unsecured loan agreements on normal commercial terms. The loans have been funded by monies loaned by BPH to Advent. The loan agreements provide for a further unsecured loan of US\$500,000 to be made to the Borrower, of which US\$250,000 is subject always to the Lender’s absolute discretion. Clean Hydrogen will allocate and issue up to 1,000 Options to Advent, with an exercise price of USD\$3,000 each, and exercisable immediately, with the option for conversion into shares in Clean Hydrogen expiring ten years from the date of issue (“Clean Hydrogen Options”). An advance of every US\$250,000 of the US\$1,000,000 loan facility will equate to 250 Clean Hydrogen Options allocated to Advent or, from time to time, BPH. The Purchasers and Clean Hydrogen have agreed to enter into a separate loan conversion agreement which will enable the conversion of the loan amount into the Subscription Shares Tranche 2, representing the Purchasers further 10% interest in Clean Hydrogen.

The parties acknowledge and agree that the Cash Consideration and Additional Cash Consideration, shall be used by Clean Hydrogen to design, build, produce and test a reactor that can produce a minimum of 3.2kgs and as high as 15kgs of hydrogen per hour and to submit at least 2 new patents in an agreed geography, relevant to the production of hydrogen from proprietary technology.

BPH director Anthony Huston has been appointed as a director to the Board of Clean Hydrogen.

Taranaki Basin

Advent’s 100% subsidiary, Aotearoa Offshore Ltd NZ (“AOL” or “Farminee”), had the right to acquire a 30% participating interest in Petroleum Exploration Permits (PEP) 57075, 60092 and 60093 covering an area of 5,180 km² in the Taranaki Basin from OMV New Zealand Limited (“OMV” or “Farminor”). Advent, together with AOL, signed a Farm Out Agreement (“Agreement”) with OMV on 24 December 2021. In December 2022 AOL gave notice to OMV under clause 4.3.6 of the Agreement that it was terminating the Agreement.

Clause 4.3.6 of the Agreement stated that if Condition Precedent 4 was not satisfied within 6 months (or such other date that the Farminor or Farminee may agree in writing) of submission of the application to the New Zealand Minister (“Minister”) responsible for the administration of the Crown Minerals Act 1991 (“Act”) for the Minister’s approval (“Application”), either party may terminate the Agreement by notice to the other party.

Review of Operations

BPH Energy Limited

The potential acquisition of the OMV oil and gas business by US financial investor Carlyle also introduced a material uncertainty into the planning process necessitating a review by Advent of the Agreement.

On 21 December 2022 BPH advised that OMV had returned US\$1.621 million (approximately A\$2,423,000) to AOL in accordance with the termination of the Agreement. The US\$1.621 million represents the Earning Costs 1 ("Earning Costs") based on Agreement clause 5.1 paid by the Farminee to the Farminor in early 2022. As a consequence of the termination of the Agreement the Advent group repaid BPH in December 2022:

- the A\$2,257,345 loan from BPH to pay for the Earning Costs
- the A\$800,000 BPH loaned the Advent group to fund Year 1 exploration costs
- accrued interest on these loans of A\$146,152

Onshore Bonaparte Basin (100%)

Advent, through wholly owned subsidiary Onshore Energy Pty Ltd ("Onshore"), holds 100% of RL1 in the onshore Bonaparte Basin in northern Australia. The Bonaparte Basin is a highly prospective petroliferous basin, with significant reserves of oil and gas. Most of the basin is located offshore, covering 250,000 square kilometres, compared to just over 20,000 square kilometres onshore. RL1 (166 square kilometres in area), which covers the Weaber Gas Field, originally discovered in 1985. Advent has previously advised that the 2C Contingent Resources for the Weaber Gas Field in RL1 are 11.5 billion cubic feet (Bcf) of natural gas following an independent audit by RISC. Significant upside 3C Contingent Resources of 45.8 Bcf have also been assessed by RISC.

The current rapid development of the Kununurra region in northern Western Australia, including the Ord River Irrigation Area phase 2, the township of Kununurra, and numerous regional resource projects provides an exceptional opportunity for Advent to potentially develop its nearby gas resources. Market studies have identified a current market demand of up to 30.8 TJ per day of power generation capacity across the Kimberley region that could potentially be supplied by Advent Energy's conventional gas project RL1. The prospectivity of the Bonaparte Basin is evident from the known oil and gas fields in both the offshore and onshore portions of the basin. Advent has identified significant shale areas in RL1.

Advent has been evaluating the commercialization of RL1 and intends to convert the Retention Licence into a Production Licence. Onshore has commenced the regulatory processes to enable a re-entry to the Weaber-4 well and has prepared and submitted a Well Operations Management Plan (WOMP) and an Environmental Management Plan for the re-entry to Weaber-4.

Clean Hydrogen and Onshore have entered into a hydrocarbon process agreement ("Process Agreement"). Clean Hydrogen has capabilities at processing hydrocarbons from natural gas and producing two products, hydrogen (sometimes referred to as turquoise hydrogen) and carbon black and carbon nanotube products where such products are produced with no CO₂ emissions in the core process. Carbon black is composed of fine particles of carbon produced by pyrolysis of natural gas at high temperatures which in pure form is a fine black powder. It is widely used in various applications for tyres, black colouring pigment of newspaper inks, resin colouring, paints, and toners, antistatic films, fibres, and floppy disks and as an electric conductive agent of high-technology materials.

By the Process Agreement, Onshore and Clean Hydrogen propose to develop plans whereby Clean Hydrogen processes the hydrocarbons from Onshore's Rights and produces hydrogen and carbon black products ("Clean Hydrogen Products").

Clean Hydrogen is developing its "Commercial System" where it will satisfy scale and commercial objectives resulting in the development of income from sale of Clean Hydrogen Products. Clean Hydrogen's Commercial System means an end-to-end system which consumes and processes hydrocarbons, using Clean Hydrogen's own thermocatalytic reactor process and Clean Hydrogen's catalysts to produce hydrogen at commercial scale, enabling the sale of the Clean Hydrogen Products.

Under the material terms of the Process Agreement, Onshore will review the Commercial System once ready, conditional on the following:

Review of Operations

BPH Energy Limited

- i. Clean Hydrogen will keep Onshore informed of progress and timing for completion of the Commercial System which is planned to be completed in 2023 in India.
- ii. Clean Hydrogen will share details on design and capabilities to assist Onshore in understanding how its systems will integrate with Onshore's supply of hydrocarbons.
- iii. The parties will work together to develop a plan to include timelines and needs for production of Clean Hydrogen Products from Onshore's hydrocarbons.
- iv. Once Onshore has a clear date for hydrocarbon production, both parties will endeavour to finalise the planning to produce Clean Hydrogen Products.
- v. When Clean Hydrogen and Onshore have agreed to a time for the production of Clean Hydrogen Products, Clean Hydrogen will be responsible for due diligence relating to the compliance with the local regulatory requirements for the operation of the systems to produce the Clean Hydrogen Products.

The Process Agreement is non-binding and binding material contractual terms have yet to be agreed.

Clean Hydrogen will make itself available to answer all technical and business model queries as required and provide a dedicated point of contact to manage all Onshore's queries. Onshore will use best endeavours to develop the plan with Clean Hydrogen. Onshore will provide Clean Hydrogen with detail on its Rights and the timing to assist with planning. As part of the plan Onshore and Clean Hydrogen shall define and agree on the markets for the sale of the Clean Hydrogen Products.

Onshore accepts no liability for the design and operation of the systems to produce the Clean Hydrogen Products. The Process Agreement does not preclude Onshore's right to look at other plans for use of hydrocarbons associated with its Rights.

EP 386

Advent's 100% subsidiary Onshore made an application for suspension and extension of the permit conditions in EP386 which was not accepted by the Department of Mines, Industry, Regulation and Safety (DMIRS). Onshore sought a review of the decision by the Minister of Resources who responded setting out a course of action in relation to that decision which Onshore is following. Onshore lodged an appeal against this decision with the State Administrative Tribunal (SAT). The SAT determined that it did not have the coverage to hear the appeal and the decision allowed for the matter to be determined through a Supreme Court of WA action.

During the year Advent issued 2,100,000 shares at \$0.05 per share.

Cortical Dynamics Ltd ("Cortical"), BPH 16.8%

Investee Cortical Dynamics Limited is an Australian based medical device neurotechnology company that is developing BARM™, an industry leading EEG (electrical activity) brain function monitor. BARM™ is being developed to better detect the effect of anaesthetic agents on brain activity under a general operation, aiding anaesthetists in keeping patients optimally anaesthetised. The Australian manufactured and designed, electroencephalographically based (EEG-based), BARM™ system is configured to efficiently image and display complex information related to the clinically relevant state of the brain. When commercialized the BARM™ system will be offered on a stand-alone basis or integrated into leading brand operating room monitors as "plug and play" option.

BARM™ has already received TGA approval, Korean MFDS approval, the CE mark and the company has now made application for its FDA approval in the USA. The BARM™ system is protected by five patent families in multiple jurisdictions worldwide consisting of 36 granted patents. Cortical will continue to drive the development of BARM™ and maintain its intellectual property.

Cortical has been granted a key patent relating to its Brain Anaesthesia Response Monitor (BARM) technology in the United States. Cortical has developed an extensive patent portfolio encapsulating the BARM monitoring unit, providing patent protection across a number of key brain monitoring markets. Currently, Cortical has patents awarded in France, Belgium, Germany, Great Britain, Netherlands, Switzerland, Italy, Ireland, Australia, New Zealand, the United States, Japan and the People's Republic of China. The new Patent is titled "Apparatus and process for measuring brain activity" was made under United States Patent Application No. 17/614701.

Review of Operations

BPH Energy Limited

Cortical has entered into a partnership with Austrian EEG experts ENCEVIS /AIT with a view to further enhance the BARM™ technology. The AIT Austrian Institute of Technology is Austria's largest research and technology organisation employing over 1,300 people. The Republic of Austria (through the Federal Ministry for Climate Protection, Environment, Energy, Mobility, Innovation and Technology) owns 50.46% of AIT, while the Federation of Austrian Industries owns the other 49.54%. ENCEVIS is a division of AIT that specialises in EEG.

In June 2022 Cortical won a prestigious grant from the MTPConnect BMTH program, the matched funding that will help Cortical develop an AI and machine learning capacity for BARM™. Conjunctionally Cortical has appointed a world class Head of Data Analytics who will focus on developing for the company a deep understanding of sedation level monitoring systems using Artificial Intelligence including neurophysiology (EEG), machine learning, statistical analysis, anaesthesiology. Application areas will include optimal management of anaesthesia and sedatives in the operating room and the ICU. Cortical has also appointed a full-time project manager.

On 15 May 2023 the Company announced Philips Electronics North America Corp. had confirmed that Cortical had, with successful testing and provision of documentation, met the necessary prerequisites of the Philips License and Cooperation Agreement to claim the BARM-PEC as a compatible and “supported device” for Philips Patient Monitoring Systems IntelliVue MP40-90 and MX400-850 using the Philips IntelliBridge EC10 Interface Module or IntelliBridge EC10 integral Interface Board, as well as Philips IntelliBridge System Release C.0 and Patient Information Center iX using the EC40/80 Hub with Open Interface driver (ED/BD101) and EC5 ID Module #106. Philips confirms that Cortical may now claim compatibility of the BARM-PEC with the abovementioned Philips IntelliVue Patient Monitoring Systems. Philips will include Cortical's BARM-PEC in the list of Open Interface supported medical devices that is communicated to the Philips sales force and published on related Philips webpages.

Cortical continues the FDA 510K filing process for BARM™ in the USA assisted by Washington based technical advisors MCRA. The Food and Drug Administration (“FDA”) is the federal agency of the United States Department of Health and Human Services which regulates the sale of medical device products (including diagnostic tests) in the U.S. and monitors the safety of all regulated medical products. FDA approval is a necessary precursor for sales of BARM™ to commence in the USA.

During the year Cortical issued 9,619,700 shares at \$0.125 per share, together with 340,000 shares at \$0.20 cents per share in June 2023.

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.

Review of Operations

BPH Energy Limited

Competent Person Statement

The information in this report that relates to mineral resources contained within the PEP 11 Project reported on page 2 of this financial report is based on information reviewed by Mr David Bennett, an independent consultant with a PhD in geophysics from Australia National University, and more than 40 years of experience in oil and gas exploration and discovery in Australia, New Zealand, Papua New Guinea and elsewhere. The information in this report that relates to Prospective Resource information in relation to the PEP11 is based on information compiled by the operator of these assets, Advent Energy Limited. This information was subsequently reviewed by Mr David Bennett, who has consented to the inclusion of such information in this report in the form and context in which it appears. The resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE) / World Petroleum Council (WPC) / American Association of Petroleum Geologists (AAPG) / Society of Petroleum Evaluation Engineers (SPEE) / Petroleum Resources Management System (PRMS). The resources information included in this report are based on, and fairly represents, information and supporting documentation reviewed by Mr Bennett. Mr Bennett is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

Cautionary Statement

Prospective Resources are the term given to the estimated hydrocarbon volumes (petroleum) that may potentially be produced in the event that they are discovered by the drilling of an exploration well. Prospective Resources may potentially be recovered by the application of a future development project and may relate to undiscovered resource accumulations. These estimates have both an associated risk of discovery and an inherent risk of development. Further exploration and appraisal drilling will be required to determine the existence of a commercially recoverable quantity of petroleum (oil and/or gas).

There are numerous uncertainties inherent in estimating reserves and resources, as well as in projecting future development capital expenditure, production costs and cash flows. Geoscientific resource assessment must be recognised as a subjective process of estimating subsurface accumulations that cannot be measured exactly.

BPH is an investment company and relies on the resource and ore reserve statements compiled by the companies in which it invests. All Resource and Reserve Statements have been previously published by the companies concerned. Summary data has been used. Unless otherwise stated all resource and reserve reporting complies with the relevant standards. Resources quoted in this report equal 100% of the resource and do not represent BPH's investees' equity share unless stated. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements, and that all material assumptions and technical parameters have not materially changed. The Company also confirms that the form and context in which the relevant Competent Person's findings are presented have not been materially modified from the original market announcements.

Directors' Report

BPH Energy Limited

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 2023.

Directors

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

David Breeze
Anthony Huston
Charles 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 and oil and gas exploration entities.

Operating Results

The consolidated entity has reported a net profit after tax for the year ended 30 June 2023 of \$852,332 (2022: loss of \$1,078,581) and has a net cash outflow from operating activities of \$1,050,582 (2022: outflow of \$1,022,124).

The net profit from ordinary activities after tax is after recognising (i) consulting and legal costs of \$788,318 (2022: \$434,906), (ii) share of associates' losses of \$192,412 (2022: \$405,496), (iii) share-based payments expense of \$201,551 (2022: \$Nil), and (iv) fair value gain of \$2,433,227 (2022: \$Nil).

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.

Review of Operations

A Review of Operations is set out on pages 1 to 8 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.

Financial Position

The consolidated entity has a working capital surplus of \$6,011,749 (2022: surplus of \$2,145,178). The net assets of the consolidated entity increased by \$5,112,192 to \$19,412,039 over the year to 30 June 2023. Included in trade creditors and payables is current director fee accruals of \$685,107 (2022: \$639,419).

Non-Audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2023 (2022: \$Nil).

Directors' Report

BPH Energy Limited

Capital

On 18 August 2022 the Company announced that it had received binding commitments to raise approximately \$1.5 million (before costs) ("August Placement"). The August Placement comprised the issue of 115,384,615 new fully paid ordinary shares in the Company at an issue price of \$0.013 per share. In addition to the August Placement, the Company launched a one (1) for twenty-five (25) non-renounceable Entitlement Offer to raise approximately \$400,000 (before costs) through the issue of 30,769,230 new fully paid ordinary shares ("Entitlement Shares") at \$0.013 per share ("Entitlement Offer").

The intended use of funds is:

- \$0.90 million - Further Investment in Clean Hydrogen Technology Corporation
- \$0.68 million - Funding for exploration and development of oil and gas investments
- \$0.32 million - For working capital including costs of the offer

August Placement and Entitlement Offer participants received one (1) free Attaching Option for every one (1) share subscribed for under the August Placement and Entitlement Offer, exercisable at \$0.03 each with an expiry date of 30 September 2024 ("Attaching Options"). Everblu Capital Limited ("Everblu") acted as the Lead Manager for the August Placement and Entitlement Offer. Everblu was paid a cash fee of 6% on funds raised by Everblu under the August Placement and one (1) Broker Option per three (3) shares issued, being 38,461,538 Broker Options, exercisable at \$0.03 each, expiring 30 September 2024.

On 11 October 2022 BPH announced that it had received binding commitments to raise approximately \$1.196 million (before costs) ("October Placement"). The October Placement comprised the issue of 66,494,825 new fully paid ordinary shares in the Company at an issue price of \$0.018 per share.

The intended use of funds is:

- \$0.65 million - Further Investment in Clean Hydrogen Technology Corporation
- \$0.35 million - Funding for exploration and development of oil and gas investments
- \$0.10 million - For working capital including costs of the offer

October Placement participants received one (1) free Attaching Option for every one (1) share subscribed for under the October Placement, exercisable at \$0.03 each with an expiry date of 30 September 2024. Everblu acted as the Lead Manager for the October Placement. Everblu was paid a cash fee of 6% on funds raised by Everblu under the October Placement and one (1) Broker Option per three (3) shares issued, being 22,164,942 Broker Options, exercisable at \$0.03 each, expiring 30 September 2024.

On 17 April 2023 BPH announced that it had received binding commitments to raise \$1 million (before costs) ("April Placement"). The April Placement comprised the issue of 52,631,578 new fully paid ordinary shares in the Company at an issue price of \$0.019 per share.

The intended use of funds is:

- \$0.20 million - Further Investment in Clean Hydrogen Technology Corporation
- \$0.70 million - Funding for exploration and development of oil and gas investments
- \$0.10 million - For working capital including costs of the offer

April Placement participants received one (1) free Attaching Option for every two (2) shares subscribed for under the April Placement, exercisable at \$0.03 each with an expiry date of 30 September 2024. Everblu and 62 Capital Limited acted as the Managers for the April Placement. They were paid a cash fee of 6% on funds raised under the April Placement and one (1) Broker Option per two (2) Attaching Options issued, being 13,157,894 Broker Options, exercisable at \$0.03 each, expiring 30 September 2024.

Directors' Report

BPH Energy Limited

The Company undertook a Loyalty Option issue of one (1) option for every eight (8) shares held ("Loyalty Options") with an offer closing date of 10 May 2023 and a subscription price of \$0.004 per Loyalty Option. The Loyalty Options, which have the same exercise price and expiry date as the Attaching Options, raised \$438,799 from the issue of 109,699,865 Loyalty Options in May and June 2023, of which \$403,542 was received in cash and \$35,257 set off against liabilities for director fees.

The purpose of this Loyalty Option issue was to replace a November 2022 Loyalty Options Prospectus ("November 2022 Prospectus"). Due to the Company's suspension from ASX it did not satisfy the quotation condition, being the quotation of the Loyalty Options offered under the November 2022 Prospectus within three months of the date of that Prospectus ("Quotation Condition"). The Quotation Condition expired on 27 February 2023 and, as a result, the issue of the Loyalty Options under the November 2022 Prospectus was void.

The Loyalty Options offer will provide the Company with a potential source of additional capital if the Loyalty Options are exercised in the future, being \$3,290,996 where all Loyalty Options are exercised.

In addition, during the year the Company issued 7,000 new fully paid ordinary shares for proceeds of \$132 and 7,500 share options for proceeds of \$30 as a "cleansing" process to permit the secondary trading of securities under the Corporations Act. The share options have the same exercise price and expiry date as the Attaching Options.

On 2 February 2023 the Company issued 15,000,000 Incentive Options to director Mr David Breeze with an exercise price of \$0.03 per option and an expiry date of 30 September 2024 as approved at the Company's November 2022 Annual General Meeting.

On 29 July 2022, 96,235,678 listed share options with an exercise price of \$0.05 each expired unexercised.

On 30 November 2022, 400,000 unlisted share options with an exercise price of \$0.20 each expired unexercised.

On 8 February 2023, 7,285,714 listed share options with an exercise price of \$0.26 each expired unexercised.

Subsequent Events

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Information on Directors

D Breeze

Managing Director, Executive Chairman, and Company Secretary – Age 69

Shares held – 59,750,805 / Options held 24,273,510

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 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:

MEC Resources Limited (from April 2005 to present)

David is also a director of Grandbridge Limited, Cortical Dynamics Limited, Molecular Discovery Systems Limited, Diagnostic Array Systems Limited, and Advent Energy Limited and its subsidiaries.

Directors' Report

BPH Energy Limited

C Maling

Non-Executive Director – Age 69

Shares held – 5,275,144 / Options held – 2,062,284

Charles Maling was formerly the Communications Officer for the Office of the Western Australian State Government Environmental Protection Authority (“EPA”) 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 not held any listed company directorships:

Charles is a director of Grandbridge Limited.

A Huston

Non-Executive Director – Age 68

Shares held – 9,438,070 / Options held – 1,542,762

Tony Huston has been involved for over 40 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. During the 1990's Tony managed JFP NZ International, a Texas based exploration company that included a Jack Up rig operating in NZ waters. In 1994 Tony oversaw the environmental consent process required to drill a near inshore well that was drilled from “land” into the offshore basin during 1995. In 1996 Tony formed his own E&P Company to focus 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 20 years ago are still in operation. Recent focus (12 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 held the following listed company directorships:

MEC Resources Limited (from October 2020 to present)

Tony is also a director of Advent Energy Limited and Clean Hydrogen Technologies Corp.

Meetings of Directors

During the financial year there was one meeting of directors, of whom all attended. The Board also meets informally by telephone to discuss the business of the Company. Resolutions are passed by circulatory resolution.

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.

Significant Changes in State Of Affairs

During the period there were no significant changes in the state of affairs of the consolidated entity other than those referred to in the financial statements or notes thereto.

Directors' Report

BPH Energy Limited

Indemnifying Officers or Auditors

During or since the end of the financial year the Company has not given an indemnity or entered an agreement to indemnify, or paid or agreed to pay directors and officers insurance premiums.

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 Limited. 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 companies in the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of companies in the consolidated entity. The information provided in the Remuneration Report has been audited as required by Section 308(3C) of the Corporations Act 2001.

Key Management Personnel

The Directors of the consolidated entity during or since the end of the financial year were as follows:

| | | |
|----------|---|---|
| D Breeze | - | Executive Chairman, Managing Director and Company Secretary |
| A Huston | - | Non-Executive Director |
| C Maling | - | Non-Executive Director |

All 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 June 2022 financial report was adopted at the Company's 2022 Annual General Meeting held on 30 November 2022. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

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

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

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the amount of their workloads and responsibilities for the Company. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements. The Company did not engage remuneration consultants during the period.

Directors' Report

BPH Energy Limited

The executive directors and executives which receive salaries receive a superannuation guarantee contribution as required by the government 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.

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.

Shareholdings

| | Balance 1.7.2022 | Granted as Compensation | Acquired | Balance 30.6.2023 |
|----------|---------------------|----------------------------|-----------|-------------------------|
| D Breeze | 57,452,695 | - | 2,298,110 | 59,750,805 ¹ |
| A Huston | 9,075,067 | - | 363,003 | 9,438,070 |
| C Maling | 5,072,253 | - | 202,891 | 5,275,144 |

Optionholdings

| | Balance 1.7.2022 | Acquired | Expired | Balance 30.6.2023 | Total Vested 30.6.2023 | Total Exercisable and Vested 30.6.2023 | Total Unexercisable 30.6.2023 |
|----------|---------------------|------------|--------------|----------------------|---------------------------|--|-------------------------------------|
| D Breeze | 12,121,452 | 24,273,510 | (12,121,452) | 24,273,510 | 24,273,510 ¹ | 24,273,510 ¹ | - |
| A Huston | 1,666,534 | 1,542,762 | (1,666,534) | 1,542,762 | 1,542,762 | 1,542,762 | - |
| C Maling | 2,862,900 | 862,284 | (1,662,900) | 2,062,284 | 2,062,284 | 2,062,284 | - |

¹ These include securities held by Grandbridge Limited, a Company of which Mr Breeze is Managing Director

Directors' Report

BPH Energy Limited

Key management personnel remuneration

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

2023

| Key Management Person | Short-term Benefits | | | | Post-employment Benefits |
|-----------------------|-------------------------|---------------|--------------------------|---------------|--------------------------|
| | Salary and fees (\$) | Bonus (\$) | Non-cash benefit (\$) | Other (\$) | Superannuation (\$) |
| D Breeze | 148,000 | - | - | - | - |
| C Maling | 25,000 | - | - | - | - |
| A Huston | 25,000 | - | - | - | - |
| Total | 198,000 | - | - | - | - |

| Key Management Person | Long-term Benefits | Share-based payment (\$) | | Total (\$) | Performance Related | Compensation Relating to Securities |
|-----------------------|-----------------------|-----------------------------|------------------------|---------------|------------------------|--|
| | Other (\$) | Shares ^{1/2} | Options ² | \$ | % | % |
| D Breeze | - | 9,192 ⁴ | 169,127 ^{3/4} | 326,319 | - | 54.6% |
| C Maling | - | 812 | 7,518 | 33,330 | - | 25.0% |
| A Huston | - | 1,452 | 13,450 | 39,902 | - | 37.3% |
| Total | - | 11,456 | 190,095 | 399,551 | - | 50.4% |

2022

| Key Management Person | Short-term Benefits | | | | Post-employment Benefits |
|-----------------------|-------------------------|---------------|--------------------------|---------------|--------------------------|
| | Salary and fees (\$) | Bonus (\$) | Non-cash benefit (\$) | Other (\$) | Superannuation (\$) |
| D Breeze | 148,000 | - | - | - | - |
| C Maling | 25,000 | - | - | - | - |
| A Huston | 40,000 | - | - | - | - |
| Total | 213,000 | - | - | - | - |

| Key Management Person | Long-term Benefits | Share-based payment (\$) | | Total (\$) | Performance Related | Compensation Relating to Securities |
|-----------------------|-----------------------|-----------------------------|---------|---------------|------------------------|--|
| | Other (\$) | Shares | Options | \$ | % | % |
| D Breeze | - | - | - | 148,000 | - | - |
| C Maling | - | - | - | 25,000 | - | - |
| A Huston | - | - | - | 40,000 | - | - |
| Total | - | - | - | 213,000 | - | - |

¹ The issue of these rights issue shares included one free attaching option for every rights issue share issued with an exercise price of \$0.03 each and an expiry date of 30 September 2024.

² For securities issued in settlement of debt, the accounting standards require an expense to be recognised with respect to the fair value of shares and options. The fair value of options granted is estimated using a Black and Scholes option pricing model taking into account the terms and conditions upon which the options were granted. These securities were issued under a non-renounceable Rights Issue on the same terms as issued to other shareholders.

³ These include the issue of 15,000,000 incentive options with an exercise price of \$0.03 each and an expiry date of 30 September 2024.

⁴ These include securities issued to Grandbridge Limited, a Company of which Mr Breeze is Managing Director.

Directors' Report

BPH Energy Limited

Share-based payments

The directors participated in the September 2022 Rights Issue with an associated free attaching option, satisfying the consideration by means of debt settlement against directors' fees owing:

| Director | Shares Issued | Shares - debt settlement (\$) | Shares – share based payments (\$) | Options Issued | Options – share based payments (\$) |
|---------------------------|---------------|-------------------------------|------------------------------------|----------------|-------------------------------------|
| David Breeze ¹ | 2,298,110 | \$29,875 | \$9,192 | 2,298,110 | \$16,104 |
| Charles Maling | 202,891 | \$2,638 | \$812 | 202,891 | \$1,422 |
| Tony Huston | 363,003 | \$4,719 | \$1,452 | 363,003 | \$2,544 |
| Total | 2,864,004 | \$37,232 | \$11,456 | 2,864,004 | \$20,070 |

¹ These include securities held by Grandbridge Limited, a Company of which Mr Breeze is Managing Director, with a shares debt settlement by Grandbridge of \$1,974 and shares / options share based payments of \$1,671.

The Rights Issue shares were issued at \$0.013 per share with a free attaching option with an exercise price of \$0.03 per option and an expiry date of 30 September 2024. The share price at the date of settlement was \$0.017.

The Directors participated in the February 2023 Loyalty Options Issue satisfying the consideration by means of the following debt settlement against directors' fees owing:

| Director | Options Issued | Options - debt settlement (\$) | Options – share based payments (\$) |
|----------------|----------------|--------------------------------|-------------------------------------|
| David Breeze | 6,975,400 | \$27,900 | \$64,485 |
| Charles Maling | 659,393 | \$2,638 | \$6,096 |
| Tony Huston | 1,179,759 | \$4,719 | \$10,906 |
| Total | 8,814,552 | \$35,257 | \$81,487 |

The Loyalty Options were issued at \$0.004 per option with an exercise price of \$0.03 per option and an expiry date of 30 September 2024.

Director David Breeze participated in the February 2023 Incentive Options Issue which were issued for nil consideration:

| Director | Options Issued | Options – share based payments (\$) |
|--------------|----------------|-------------------------------------|
| David Breeze | 15,000,000 | \$88,538 |

The Incentive Options have an exercise price of \$0.03 per option and an expiry date of 30 September 2024.

Other than the above, and director remuneration, there have been no material related party transactions during the period.

Directors' Report

BPH Energy Limited

The following are share-based payment arrangements (options) were in existence for key management personnel at year end:

| Grant Date | Date of Expiry | Fair Value of Options at Grant Date | Exercise Price | Number of options | Vesting Date |
|---------------|-------------------|-------------------------------------|----------------|-------------------|---------------|
| November 2019 | 30 November 2024 | \$0.0005 ¹ | \$0.02 | 1,200,000 | At grant date |
| May 2023 | 30 September 2024 | \$0.0092 | \$0.03 | 26,678,556 | At grant date |

1. Pre 1 for 10 share consolidation completed in April 2020

There are no further service or performance criteria that need to be met in relation to options granted. No options attributable to key management personnel were exercised during the year. 15,050,886 options with an exercise price of \$0.05 each and 400,000 options with an exercise price of \$0.20 each expired during the period.

Options granted confer a right of one ordinary share for every option held. The fair value of options granted is estimated using a Black and Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The inputs to the valuation model used are set out in Note 23 to this financial report.

Company performance, shareholder wealth and director and executive remuneration

The following table shows the gross revenue and the net profit / (loss) for the last 5 years for the listed entity, as well as the share price at the end of the respective financial years.

| | 2023 | 2022 | 2021 | 2020 | 2019 ¹ |
|---|---------|-------------|-------------|-----------|-------------------|
| Revenue from ordinary activities (\$) | 304,054 | 154,702 | 65,506 | 240,243 | 278,227 |
| Net profit / (loss) (\$) | 852,332 | (1,078,581) | (1,612,424) | 1,121,263 | (3,013,043) |
| Share price at year end (cents per share) | 2.3 | 1.1 | 7.2 | 2.3 | 1.0 |
| Earnings per share (cents) | 0.10 | (0.16) | (0.28) | 0.35 | (1.7) |

¹The 2019 share prices and earnings per share have been adjusted for the 1 for 10 share consolidation completed in April 2020.

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.

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 |
|--------------------------|-------------------|----------------|---------------------|
| November 2019 | 30 November 2024 | \$0.02 | 1,200,000 |
| August 2022 to June 2023 | 30 September 2024 | \$0.03 | 437,456,198 |

400,000 unlisted share options with an exercise price of \$0.20 each, 96,235,678 listed share options with an exercise price of \$0.05 each, and 7,285,714 listed share options with an exercise price of \$0.26 each expired unexercised during the year.

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.

Directors' Report

BPH Energy Limited

Significant Business Risks

The Group's activities have inherent risk and the Board is unable to provide certainty of the expected results of these activities, or that any or all of these likely activities will be achieved. The Company considers key trends, issues and risks in the external operating environment when formulating strategy and plans. A summary of key external risks currently affecting the business and the Company's response to them is outlined below:

Additional requirements for capital

Additional funding may be required in the event future costs exceed the Company's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

Renewal of exploration permit

The Company's 35.8% associate Advent holds, through its wholly owned subsidiary Asset Energy Pty Ltd ("Asset"), 85% of Petroleum Exploration Permit PEP 11, an exploration permit prospective for natural gas located in the Offshore Sydney Basin. This investment comprises a significant portion of the Company's potential asset base. If Asset Energy loses its right of tenure in respect of PEP 11 then book value of capitalised exploration and evaluation expenditure of \$14.49 million will need to be written off to the Statement of Profit or Loss and Other Comprehensive Income.

Advent now has two continuing applications with NOPTA for suspension and extension of the PEP11 permit, the first lodged in December 2019 and the second in January 2021. The first application was on the basis of Force Majeure and is the only application which is the subject of the NOPTA notice. The second was under COVID and was accepted but not dealt with pending an outcome on the first application made in December 2019.

Advent is actively and constructively engaging with regulator to bring this matter to a satisfactory conclusion in favour of Advent and, by implication, BPH. Advent has provided further information in April and June 2023 to the National Offshore Petroleum Titles Administrator (NOPTA) in response to requests for updated information subsequent to the decision in the Federal Court proceedings detailed above. In the meantime, PEP 11 continues in force and the PEP 11 Joint Venture is in compliance with the contractual terms of PEP 11 with respect to such matters as reporting, payment of rents and the various provisions of the Offshore Petroleum and Greenhouse Gas Storage Act 2006.

Research and development

The Company can make no representation that any of its research into or development of the technologies will be successful, that the development milestones will be achieved, or that the technologies will be developed into products that are commercially exploitable.

Oil and gas industry risks

The Company has a 35.8% interest in Advent Energy Ltd (Advent). Risks associated with this significant investment include but are not limited to risks associated with failure to discover an economic reserve or successfully produce from a reserve, fluctuations in oil and gas prices, no guarantee of permit renewals or granting of production licences, all of which could have a material adverse effect on the Company's investment.

(a) Illiquid investment: as Advent is an unlisted entity, there is a risk that there will not be a ready market for the Company to sell its Advent shares.

(b) Oil and gas exploration: the business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. A failure to discover an economic reserve, or to successfully produce from such a reserve, will adversely affect Advent's performance and have a resulting effect on the value of the Company's investment in Advent Energy.

Directors' Report

BPH Energy Limited

(c) Oil and gas price volatility: The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on Advent's business, financial condition and results of operations.

(d) Exploration and production licences: Advent's operations are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents, which may be withdrawn or made subject to limitations. There is no guarantee that, upon completion of any exploration, a production licence will be granted with respect to exploration territory. There can also be no assurance that any exploration permit will be renewed or if so, on what terms. These licences place a range of past, current and future obligations on Advent. In some cases, there could be adverse consequences for breach of these obligations, ranging from penalties to, in extreme cases, suspension or termination of the relevant licence or related contract. These may then affect the Company's investment in Advent.

(e) Expansion targets and operational delays: There can be no assurance that Advent will be able to complete any development of its properties on time or to budget, or that the current personnel, systems, procedures and controls will be adequate to support Advent's operations. Any failure of management to identify problems at an early stage could have an adverse impact on Advent's financial performance.

(f) Resources, reserves and production: no assurance can be given that any anticipated figures will be achieved or that the indicated level of recovery will be realised. Market fluctuations in the price of oil & gas may render oil & gas reserves and resources uneconomical. Moreover, short-term operating factors relating to oil & gas reserves and resources, such as the need for orderly development of an oil & gas reservoir may cause an oil & gas operation to be unprofitable in any particular accounting period.

(g) Limited operating history: Advent may not have assets producing positive cash flow and its ultimate success may depend on its ability to generate cash flow from active oil & gas operations in the future and its ability to access equity markets for its development requirements. Advent has not made profits to date and there is no assurance that it will do so in the future. A portion of Advent's activities will be directed to the search for and the development of new oil & gas deposits. Significant capital investment will be required to achieve commercial production from Advent's existing projects and from successful exploration efforts. There is no assurance that Advent will be able to raise the required funds to continue these activities.

(h) Additional financing: Advent is required to fund its share of approved exploration expenditure on certain of the properties on which it has exploration rights, failing which Advent's exploration rights in the relevant property may be either reduced or forfeited. Advent may acquire exploration rights in other exploration properties which may require acquisition payments to be made and exploration expenditures to be incurred. The only sources of funding currently available to Advent are through the issue of additional equity capital, project finance or borrowing. There is no assurance that Advent will be successful in raising sufficient funds to commence drilling or production operations or to meet its obligations with respect to the exploration properties in which it has or may acquire exploration rights. The Directors currently believe that Advent's working capital will not be sufficient to fund operations. Advent will therefore have to seek additional financing for operations at a later date.

(i) Regulatory approvals: Advent's operations and the exploration agreements which it has entered into require approvals, licences and permits from various regulatory authorities, governmental and otherwise (including project specific governmental decrees). Such approvals, licences and permits are subject to change in various circumstances and further project specific governmental decrees and/or legislative enactments may be required. There can be no guarantee that Advent will be able to obtain or maintain all necessary approvals, licences and permits that may be required and/or that all project specific governmental decrees and/or required legislative enactments will be forthcoming to explore for oil & gas and develop the properties on which it has exploration rights, commence construction or operation of production facilities or to maintain continued operations that economically justify the costs involved.

Directors' Report

BPH Energy Limited

(j) Environmental factors: Advent's operations are subject to environmental regulation (including regular environmental impact assessments and the requirement to obtain and maintain certain permits) in all the jurisdictions in which it operates. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and health and safety. Advent may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and permitting requirements are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

(k) Competition: The oil & gas exploration and production business is competitive in all of its phases. Advent competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than itself, in the search for and acquisition of exploration and development rights on attractive oil & gas properties. Advent's ability to acquire exploration and development rights on properties in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on suitable properties for exploration and development. There is no assurance that Advent will continue to be able to compete successfully with its competitors in acquiring exploration and development rights on such properties.

(l) Currency risk: Currency fluctuations may affect the cash flow that Advent hopes to realise from its operations, as oil and gas is sold and traded on the world markets in United States dollars. Advent's costs are incurred primarily in Australian dollars and United States dollars.

(m) Uninsured risks: Advent, as a participant in exploration and mining programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Advent may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

(n) Market perception: Market perception of small oil & gas exploration companies may change and this could impact on the value of the Company's holdings and impact on Advent's ability to raise further equity capital.

Regulatory risk

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the Company's financial performance and its Securities. In addition, there is a commercial risk that legal action may be taken against the Company in relation to commercial matters.

Development and commercialisation of technologies

Securing rights to technologies, and in particular patents, is an integral part of securing potential product value in the outcomes of biotechnology research and development. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing technologies that circumvents such patents. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of biotechnology companies can be highly uncertain and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in biotechnology patents nor their enforceability can be predicted. There can be no assurance that any patents the Company or Universities may own or control or licence now and in the future will afford the Company commercially significant protection of the technologies, or that any of the projects that may arise from the technologies will have commercial applications. Although the Company is not aware of any third party interests in relation to the technologies rights of the technologies, and has taken steps to protect and confirm its interest in these rights, there is always a risk of third

Directors' Report

BPH Energy Limited

parties claiming involvement in technological and medical discoveries, and if any disputes arise, they could adversely affect the Company. Although the Company will implement all reasonable endeavours to protect its technologies, there can be no assurance that these measures have been or will be sufficient.

Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in complementary companies, products or technologies. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies.

Climate Change Risks

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaption requirements related to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risk to the Company. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences. The climate change risks particularly attributable to the Company include:

(a) the emergence of new or expanded regulations associated with the transitioning to a lower carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its business viability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences; and

(b) climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates.

Negative publicity may adversely affect the Share price

Any negative publicity or announcement relating to any of the Company's substantial Shareholders, key personnel or activities may adversely affect the stock performance of the Company, whether or not this is justifiable. Examples of such negative publicity or announcements may include involvement in legal or insolvency proceedings, failed attempts in takeovers, joint ventures or other business transactions. No such issues are currently known to affect the Company.

Environment

The Company's operations in Australia are not regulated by any significant environmental regulation under the law of the Commonwealth or any State or Territory.

Economic conditions and other global or national issues

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's investment, development and production activities, as well as on its ability to fund those activities.

Changes in government policy and legislation

Any material adverse changes in relevant government policies or legislation of Australia may affect the viability and profitability of the Company, and consequent returns to investors. The activities of the Company are subject to various federal, state and local laws governing prospecting, development, production, taxes, labour standards and occupational health and safety, and other matters.

Directors' Report

BPH Energy Limited

Ukraine Conflict

The current conflict between Ukraine and Russia (Ukraine Conflict) is impacting global economies and financial markets. The nature and extent of the effect the Ukraine Conflict may have on the Company's operations remains uncertain at this time. In the short to medium term, the Company's Share price may be adversely affected by the economic uncertainty caused by the Ukraine Conflict and the wider effect the conflict has on global economies and financial markets.

The Directors are monitoring the potential secondary and tertiary macroeconomic impacts of the Ukraine Conflict, including the fluctuations in commodity and energy prices and the potential risk of cyber activity impacting governments and businesses. Further, any governmental or industry measures taken in response to the Ukraine Conflict, including limitations on travel and changes to import/export restrictions and arrangements involving Russia, may adversely impact the Company's operations and are likely to be beyond the control of the Company.

Reliance on key management and personnel

The Company is dependent on its management, the loss of whose services could materially and adversely affect the Company and impede the achievements of its research and development objectives. Because of the specialised nature of the Company's business, its ability to commercialise its products and maintain its research programme will depend in part upon its ability to attract and retain suitably qualified management, scientists and research people over time. There can be no assurance that the Company will be able to attract or retain sufficiently qualified personnel on a timely basis, retain its key scientific and management personnel, or maintain its relationship with key scientific organisations.

Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as: (a) general economic outlook in both Australia and Internationally; (b) introduction of tax reform or other new legislation, regulation, or policy; (c) changes in exchange rates, interest rates and inflation rates; (d) changes in investor sentiment toward particular market sectors; (e) the demand for, and supply of, capital; and (f) the global security situation and the possibility of terrorist disturbances or other hostilities.

Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of exploration companies experience extreme price and volume fluctuations that have often been unrelated to the operating performance of such companies. These factors may materially affect the market price of the shares regardless of the Company's performance.

Litigation

The Company is exposed to possible litigation risks including, but not limited to, intellectual property ownership disputes, contractual claims, environmental claims, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.

The Company confirms that no person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party.

Directors' Report

BPH Energy Limited

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2023 has been received and can be found on page 24.

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

A handwritten signature in black ink, appearing to read 'D. Breeze', is enclosed within a thin black rectangular border.

David Breeze

Dated this 16th August 2023

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 2023, 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
16 August 2023

D B Healy
Partner

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

Liability limited by a scheme approved under Professional Standards Legislation.

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

Corporate Governance

BPH Energy Limited

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

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2023

BPH Energy Limited

| | | Consolidated | |
|---|------|--------------|-------------|
| | Note | 2023 \$ | 2022 \$ |
| Revenue from ordinary activities | 2 | 304,054 | 154,702 |
| Other income | 2 | - | 68,143 |
| Fair value gain | 4 | 2,433,227 | - |
| Share of associates' losses | 11 | (192,412) | (405,496) |
| Impairment reversal | 3 | 18,916 | 16,975 |
| Interest expense | | (309) | (105) |
| Administration and promotion expenses | | (402,529) | (160,879) |
| Foreign exchange gain | | 387 | - |
| Expected credit loss | | (90,493) | (88,375) |
| Consulting and legal | | (788,318) | (434,906) |
| Directors' fees | | (100,000) | (100,000) |
| Service expenses | | (128,640) | (128,640) |
| Share-based payments | 23 | (201,551) | - |
| Profit / (loss) before income tax | | 852,332 | (1,078,581) |
| Income tax expense | 12 | - | - |
| Profit / (loss) for the year | | 852,332 | (1,078,581) |
| Other comprehensive income: | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Other comprehensive income (net of tax) | | - | - |
| Total comprehensive profit / (loss) for the period | | 852,332 | (1,078,581) |
| Profit / (loss) attributable to members of the parent entity | | 853,426 | (1,078,448) |
| (Loss) attributable to non-controlling interests | | (1,094) | (133) |
| Total comprehensive profit / (loss) attributable to owners of the Company | | 853,426 | (1,078,448) |
| Total comprehensive (loss) attributable to non-controlling interests | | (1,094) | (133) |
| <i>Earnings / (loss) per share</i> | | | |
| Basic and diluted earnings / (loss) per share (cents per share) | 5 | 0.10 | (0.16) |

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

Statement of Financial Position

as at 30 June 2023

BPH Energy Limited

| | | Consolidated | |
|---|------|-------------------|-------------------|
| | Note | 2023 \$ | 2022 \$ |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 5,614,184 | 2,894,998 |
| Trade and other receivables | 9 | 64,812 | 36,356 |
| Financial assets | 10 | 1,267,628 | 122,574 |
| Prepayments | | 50,000 | - |
| Total Current Assets | | 6,996,624 | 3,053,928 |
| Non-Current Assets | | | |
| Financial assets | 10 | 9,632,084 | 8,192,967 |
| Investments in associates | 11 | 3,768,206 | 3,941,702 |
| Other non-current assets | | - | 20,000 |
| Total Non-Current Assets | | 13,400,290 | 12,154,669 |
| Total Assets | | 20,396,914 | 15,208,597 |
| Current Liabilities | | | |
| Trade and other payables | 13 | 896,610 | 803,933 |
| Financial liabilities | 14 | 88,265 | 104,817 |
| Total Current Liabilities | | 984,875 | 908,750 |
| Net Assets | | 19,412,039 | 14,299,847 |
| Equity | | | |
| Issued capital | 15 | 61,883,062 | 58,844,602 |
| Reserves | 16 | 2,327,071 | 1,105,671 |
| Accumulated losses | | (44,635,944) | (45,489,370) |
| Equity attributable to owners of the parent | | 19,574,189 | 14,460,903 |
| Non-controlling interest | | (162,150) | (161,056) |
| Total Equity | | 19,412,039 | 14,299,847 |

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 2023

BPH Energy Limited

| Consolidated | Ordinary share capital \$ | Accumulated losses \$ | Option premium reserve \$ | Share based payment reserve \$ | Total attributable to owners of the parent entity \$ | Non-controlling Interest \$ | Total \$ |
|--|------------------------------|--------------------------|------------------------------|-----------------------------------|---|--------------------------------|-------------|
| Balance at 30 June 2021 | 58,843,159 | (44,410,922) | - | 1,105,671 | 15,537,908 | (160,923) | 15,376,985 |
| (Loss) for the period | - | (1,078,448) | - | - | (1,078,448) | (133) | (1,078,581) |
| Total comprehensive (loss) for the year | - | (1,078,448) | - | - | (1,078,448) | (133) | (1,078,581) |
| <i>Transactions with owners in their capacity as owners</i> | | | | | | | |
| Shares issued for cash | 1,443 | - | - | - | 1,443 | - | 1,443 |
| Balance at 30 June 2022 | 58,844,602 | (45,489,370) | - | 1,105,671 | 14,460,903 | (161,056) | 14,299,847 |
| Profit for the period | - | 853,426 | - | - | 853,426 | (1,094) | 852,332 |
| Total comprehensive profit for the year | - | 853,426 | - | - | 853,426 | (1,094) | 852,332 |
| <i>Transactions with owners in their capacity as owners</i> | | | | | | | |
| Securities issued for cash | 4,061,696 | - | 403,542 | - | 4,465,238 | - | 4,465,238 |
| Share issue costs - cash | (477,447) | - | - | - | (477,447) | - | (477,447) |
| Share based payments | (592,506) | - | - | 782,601 | 190,095 | - | 190,095 |
| Loss on shares issued in extinguishment of debt – share based payments | 11,456 | - | - | - | 11,456 | - | 11,456 |
| Securities issued in extinguishment of debt | 35,261 | - | 35,257 | - | 70,518 | - | 70,518 |
| Balance at 30 June 2023 | 61,883,062 | (44,635,944) | 438,799 | 1,888,272 | 19,574,189 | (162,150) | 19,412,039 |

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 2023

BPH Energy Limited

| | | Consolidated | |
|---|-------|--------------|-------------|
| | Note | 2023 \$ | 2022 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | - | 74,957 |
| Payments to suppliers and employees | | (1,247,750) | (1,097,948) |
| Interest received | | 197,477 | 972 |
| Interest paid | | (309) | (105) |
| Net cash used in operating activities | 18(a) | (1,050,582) | (1,022,124) |
| Cash flows from investing activities | | | |
| Payment for unlisted investments | | (765,873) | (370,000) |
| Payment for investment in associate | | - | (2,271,450) |
| Loans repaid | | 3,057,345 | 1,124,725 |
| Loans advanced | | (2,508,968) | (4,740,828) |
| Net cash used in investing activities | | (217,496) | (6,257,553) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | 18(c) | (16,552) | - |
| Proceeds from issue of securities (net of share issue costs) | | 4,003,816 | 1,443 |
| Net cash provided by financing activities | | 3,987,264 | 1,443 |
| Net increase / (decrease) in cash held | | 2,719,186 | (7,278,234) |
| Cash and cash equivalents at the beginning of the financial year | | 2,894,998 | 10,173,232 |
| Cash and cash equivalents at the end of the financial year | 18(b) | 5,614,184 | 2,894,998 |

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 2023

BPH Energy Limited

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 16th August 2023 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 profit after tax for the year ended 30 June 2023 of \$852,332 (2022: loss of \$1,078,581) and has a net cash outflow from operating activities of \$1,050,582 (2022: outflow of \$1,022,124). The net profit from ordinary activities after tax is after recognising (i) consulting and legal costs of \$788,318 (2022: \$434,906), (ii) share of associates' losses of \$192,412 (2022: \$405,496), (iii) share-based payments expense of \$201,551 (2022: \$Nil) and, (iv) a fair value gain of \$2,433,227 (2022: \$Nil).

The consolidated entity has a working capital surplus of \$6,011,749 (2021: surplus of \$2,145,178). The net assets of the consolidated entity increased by \$5,112,192 to \$19,412,039 over the year to 30 June 2023. Included in trade creditors and payables is current director fee accruals of \$685,107 (2022: \$639,419).

The financial report has 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.

Compliance with IFRS

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

1. Statement of Significant Accounting Policies (continued)

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 17 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.

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) Financial Instruments

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:

1. Statement of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

- 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).

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. Dividends 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.

1. Statement of Significant Accounting Policies (continued)

(c) 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’. Instruments within the scope of the 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. The Group considers a broad 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).

1. Statement of Significant Accounting Policies (continued)

(d) 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.

(e) 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.

(f) 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.

(g) 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 over time as the service is rendered.

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

(h) 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.

(i) 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 90 days. Trade and other payables are recognised at amortised cost.

(j) Earnings / (loss) per share

Basic earnings / (loss) 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 / (loss) per share adjusts the figures used in the determination of basic earnings / (loss) 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.

1. Statement of Significant Accounting Policies (continued)

(k) 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 statement of 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.

1. Statement of Significant Accounting Policies (continued)

(l) 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 recognised 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.

(m) 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 24).

(n) Application of New and Revised Accounting Standards

Standards and Interpretations applicable to 30 June 2023

In the year ended 30 June 2023, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the consolidated entity and effective for the current reporting period beginning on or after 1 July 2022. The Directors have determined that there is no material impact of the other new and revised Standards and Interpretations on the consolidated entity and therefore, no material change is necessary to group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2023. 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 consolidated entity and, therefore, no change is necessary to the consolidated entity's accounting policies.

1. Statement of Significant Accounting Policies (continued)

(o) 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 \$Nil (2022: \$ Nil) net of expected credit loss provisions of \$1,627,279 (2022: \$1,536,788). The Company recognised an expected credit loss of \$90,493 in the reporting period (2022: loss of \$88,375).

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

The investment in Advent is equity accounted, refer to Note 11. During the period the Company recognised its share of the loss of the associate of \$173,496 (2022: \$388,521).

Key estimates - Investment in Molecular Discovery Systems

The investment in Molecular Discovery Systems Limited is equity accounted, refer to Note 11. During the period the Company recognised its share of the loss of the associate of \$18,916 (2022: \$16,975). The Company also recognised an impairment reversal of \$18,916 (2022: reversal of \$16,975) such that the investment in Molecular Discovery Systems is fully impaired at period end.

Key estimates - Investment in Cortical Dynamics Limited (“Cortical”)

The investment in Cortical is carried at fair value, refer to Note 10. During the period the Company’s investment in Cortical was revalued to 20 cents per share based on the price of the most recent third party share issue by Cortical.

Key estimates - Investment in Clean Hydrogen Technologies Corp. (“Clean Hydrogen Technologies”)

The investment in Clean Hydrogen Technologies is carried at fair value, refer to Note 10.

Critical Accounting Estimates – carrying value of investment in MEC Resources Limited (MEC)

The investment in MEC is recorded at a carrying value of \$22,222 (refer Note 10), being the last traded price of \$0.004 per share prior to MEC’s suspension from ASX on 17 January 2020. MEC announced to ASX on 21 June 2021 that “Should Advent be successful in the extension of its PEP11 oil and gas exploration lease and MEC be successful in its appeal to reinstate its status as a PDF (Pooled Development Fund), ASX could consider conditions for reinstatement on the basis of continuation of MEC’s existing business”. MEC has now met the first of these ASX preconditions.

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

| | | Consolidated | |
|--|--|--------------------|--------------------|
| | | 2023 | 2022 |
| | | \$ | \$ |
| 2. Revenue | | | |
| <i>Revenue</i> | | | |
| Interest revenue: other entities | | 252,729 | 153,730 |
| Interest revenue : cash accounts | | 51,325 | 972 |
| | | <u>304,054</u> | <u>154,702</u> |
| <i>Other income</i> | | | |
| Sub-underwriting fee | | - | 68,143 |
| | | <u>-</u> | <u>68,143</u> |
| 3. Expenses Included in Profit / (Loss) for the Year | | | |
| Impairment reversal | | | |
| Molecular Discovery Systems Limited | | 18,916 | 16,975 |
| | | <u>18,916</u> | <u>16,975</u> |
| 4. Fair Value Gain | | | |
| Fair value gain on unlisted investments at fair value through profit or loss: | | | |
| Cortical Dynamics Limited | | 2,433,227 | - |
| | | <u>2,433,227</u> | <u>-</u> |
| 5. Earnings / (Loss) per Share | | | |
| Total profit / (loss) attributable to ordinary equity holders of the Company | | 853,426 | (1,078,448) |
| Profit / (loss) used in the calculation of basic and diluted earnings / (loss) per share | | <u>853,426</u> | <u>(1,078,448)</u> |
| Earnings / (loss) per share (cents per share): | | | |
| From continuing operations | | 0.10 | (0.16) |
| Total basic and diluted earnings / (loss) per share | | <u>0.10</u> | <u>(0.16)</u> |
| | | Number | Number |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings / (loss) per share | | 839,578,056 | 664,926,585 |
| | | Number | Number |
| Weighted average number of ordinary shares used in calculating diluted earnings / (loss) per share | | <u>840,778,056</u> | <u>664,926,585</u> |

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

6. Key Management Personnel Compensation

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

| | |
|------------|--|
| D Breeze - | Executive Chairman and Managing Director |
| C Maling - | Non Executive Director |
| A Huston - | Non Executive Director |

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Short term employee benefits | 100,000 | 100,000 |
| Consulting fees | 98,000 | 113,000 |
| Share-based payments | 201,551 | - |
| | <u>399,551</u> | <u>213,000</u> |

Included in trade and other payables is current director and consulting fee accruals of \$685,107 (30 June 2022: \$639,419).

| Director | Amount owing 30 June 2023 \$ |
|-------------------------------|---|
| David Breeze | 603,037 |
| Charles Maling | 51,175 |
| Tony Huston | 30,895 |
| Balance owing at 30 June 2023 | <u>685,107</u> |

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

7. Auditor's Remuneration

Remuneration of the auditor of the parent entity for:

- audit or review of the financial reports -
HLB Mann Judd (WA Partnership)

| | Consolidated | |
|--|---------------------|---------------|
| | 2023 | 2022 |
| | \$ | \$ |
| | <u>46,612</u> | <u>43,143</u> |

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

| | | Consolidated | |
|--|--|------------------|------------------|
| | | 2023 | 2022 |
| | | \$ | \$ |
| 8. Cash and Cash Equivalents | | | |
| Cash at Bank and in hand | | 5,614,184 | 2,894,998 |
| | | <u>5,614,184</u> | <u>2,894,998</u> |
| Cash at bank earns interest at variable rates. | | | |
| 9. Trade and other Receivables | | | |
| <i>Current</i> | | | |
| Other receivables - unrelated | | 61,389 | 36,356 |
| Other receivables - related | | 3,423 | - |
| | | <u>64,812</u> | <u>36,356</u> |
| 10. Financial Assets | | | |
| <i>Current</i> | | | |
| Secured loans to other entities | | 131,063 | 100,352 |
| Unsecured loans to other entities (b) | | 1,080,242 | - |
| Unsecured loans to other entities | | 34,101 | - |
| Investments in listed entities: (Level 1) | | 22,222 | 22,222 |
| | | <u>1,267,628</u> | <u>122,574</u> |
| <i>Non - current</i> | | | |
| Unsecured loans to other entities: (refer Note 11) (b) | | 1,998,986 | 4,137,588 |
| Investments in unlisted entities - (Level 2) | | 6,488,606 | 4,055,379 |
| Investments in unlisted entities - (Level 3) | | 1,144,492 | - |
| | | <u>9,632,084</u> | <u>8,192,967</u> |
| Loan receivables are stated net of the following provisions: | | | |
| Molecular Discovery Systems Limited (MDS) (a) | | | |
| Gross receivable | | 1,627,279 | 1,536,788 |
| Less provision for impairment | | (1,627,279) | (1,536,788) |
| | | <u>-</u> | <u>-</u> |

- (a) The Company has an unsecured loan with MDS for \$706,700 as well as a convertible loan agreement with MDS at an interest rate of 8.83% per annum. The convertible loan is for a maximum capital 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 2025. As at reporting date this loan had been drawn down by an amount of \$920,579, including capitalised interest (2022: \$843,588). Interest charged on the loan for the period was \$76,991 (2022: \$70,618) which has been recognised as an expected credit loss for the year in the Statement of Profit or Loss and Other Comprehensive Income.
- (b) These loans are repayable within 24 months of each drawdown date and accrue interest at 5.1% per annum.

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

11. 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 |
|-------------------------------------|--------------------------|----------------------|-------|-------------------------|
| | | 2023 | 2022 | |
| Molecular Discovery Systems Limited | Australia | 20% | 20% | Biomedical Research |
| Advent Energy Limited | Australia | 35.8% | 36.1% | Oil and Gas Exploration |

Consolidated

| | 2023 \$ | 2022 \$ |
|---|------------------|------------------|
| <i>Shares in Associates</i> | | |
| Advent Energy Limited (i) | 3,768,206 | 3,941,702 |
| Molecular Discovery Systems Limited (ii) | 367,107 | 386,023 |
| Molecular Discovery Systems Limited: Impairment provision (ii) | (367,107) | (386,023) |
| | <u>3,768,206</u> | <u>3,941,702</u> |

| | Consolidated | | MDS | |
|---|-----------------------------|-----------------------------|---|-----------------------------|
| | Advent | | | |
| | 30 June 2023(\$) | 30 June 2022(\$) | 30 June 2023(\$) Unaudited | 30 June 2022(\$) |
| Revenue | 15,919 | 16,613 | - | - |
| (Loss) for the period | (480,442) | (1,125,436) | (94,581) | (84,876) |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive (loss) for the period | (480,442) | (1,125,436) | (94,581) | (84,876) |
| | 30 June 2023(\$) | 30 June 2022(\$) | 30 June 2023(\$) Unaudited | 30 June 2022(\$) |
| Current assets | 2,026,128 | 3,047,467 | 384 | 2,942 |
| Non-current assets | 16,822,221 | 17,545,977 | - | - |
| Current liabilities | 1,250,522 | 563,721 | 959,430 | 944,398 |
| Non-current liabilities | 7,206,039 | 9,225,890 | 930,042 | 853,051 |
| Net assets | 10,391,788 | 10,803,833 | (1,889,088) | (1,794,507) |

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

11. Investments Accounted for Using the Equity Method (continued)

| | Consolidated | | | |
|--|---------------------|---------------------|----------------------------------|---------------------|
| | Advent | | MDS | |
| | 30 June 2023(\$) | 30 June 2022(\$) | 30 June 2023(\$) Unaudited | 30 June 2022(\$) |
| Share of the group's ownership interest in associate | 3,768,206 | 3,941,702 | (377,818) | (358,901) |
| Other adjustments | - | - | (377,818) | (358,901) |
| Carrying value of the group's interest in associate | 3,768,206 | 3,941,702 | - | - |
| Opening balance | 3,941,702 | 2,058,773 | - | - |
| Additional investment | - | 2,271,450 | - | - |
| Impairment reversal | - | - | 18,916 | 16,975 |
| Share of associate's loss | (173,496) | (388,521) | (18,916) | (16,975) |
| Closing balance | 3,768,206 | 3,941,702 | - | - |

(i) Advent Energy Limited – PEP11

In February 2023 the resolution of the Federal Court Proceedings (WAD106/2022) between Asset and the Respondents (being the Commonwealth Minister for Resources et al) was announced. The proceedings involved the decision made on 26 March 2022 by the Commonwealth - New South Wales Offshore Petroleum Joint Authority ("Joint Authority") to refuse Asset Energy's Application (as PEP 11 Joint Venture operator) for a variation and suspension of the conditions to which PEP 11 is subject and a related refusal to grant an extension of term. The presiding Judge Justice Jackson agreed with the consent position reached by the parties, quashed the decision and concluded that the decision of the Joint Authority was affected by apprehended bias. This was because a fair-minded observer would have reasonably apprehended that the former Prime Minister of Australia, the Hon Scott Morrison MP, as a member of the Joint Authority, did not bring a fair mind to determine Asset Energy's application. Advent has provided further information in April and June 2023 to the National Offshore Petroleum Titles Administrator (NOPTA) in response to requests for updated information subsequent to the decision in the Federal Court proceedings detailed above.

Advent now has two continuing applications with NOPTA for suspension and extension of the PEP11 permit, the first lodged in December 2019 and the second in January 2021. The first application was on the basis of Force Majeure and is the only application which is the subject of the NOPTA notice. The second was under COVID and was accepted but not dealt with pending an outcome on the first application made in December 2019.

Asset Energy continues to progress the joint venture's applications for the variation and suspension of work program conditions and related extension of PEP-11. While the applications for the variation and suspension of work program conditions and related extension of PEP-11 are being considered, Asset is investigating the availability of a mobile offshore drilling unit to drill the proposed Seablue-1 well on the Baleen prospect which would take approximately thirty-five days to complete. Asset is in communication with drilling contractors and other operators who have recently contracted rigs for work in the Australian offshore beginning in the first half of 2024. Work continues progressing the permit commitment including well planning. A draft of the environmental plan has been received and is being reviewed.

The directors have confidence that a suitable outcome will be achieved however there is no certainty at this stage that the application will be successful and / or of further funding being made available. If Asset Energy loses its right of tenure in respect of PEP 11 then book value of capitalised exploration and evaluation expenditure of \$14.49 million will need to be written off to the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

11. Investments Accounted for Using the Equity Method (continued)

In the meantime, PEP 11 continues in force and the Joint Venture is in compliance with the contractual terms of PEP 11 with respect to such matters as reporting, payment of rents and the various provisions of the Offshore Petroleum and Greenhouse Gas Storage Act 2006.

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 receivables and its investment in Advent in the ordinary course of business.

(ii) Molecular Discovery Systems Limited

The carrying value of Molecular Discovery Systems Limited is fully impaired. The Molecular Discovery Systems Limited 30 June 2023 financial statements are still in the process of being audited.

| | | Consolidated | |
|--|--|--------------|-------------|
| | | 2023 (\$) | 2022 (\$) |
| 12. Income Tax Expense | | | |
| (a) The prima facie tax on the profit / (loss) from operations before income tax is reconciled to the income tax as follows: | | | |
| Accounting profit / (loss) before tax | | 852,332 | (1,078,581) |
| Prima facie expense / (benefit) on the profit / (loss) from operations before income tax at 30% (2022: 30%) | | 255,700 | (323,574) |
| Add tax effect of amounts not deductible in calculating taxable income | | (617,454) | 116,556 |
| Tax effect of revenue losses and temporary differences not brought to account | | 361,754 | 207,018 |
| Income tax expense | | - | - |
| (b) Tax losses | | | |
| Unused tax losses for which no deferred tax asset has been recognised | | 14,071,144 | 12,535,257 |
| Potential tax benefit at 30% (2022: 30%) | | 4,221,343 | 3,760,577 |
| 13. Trade and Other Payables | | | |
| <i>Current</i> | | | |
| Trade payables - unrelated | | 187,944 | 8,811 |
| Other payables and accrued expenses - unrelated | | 23,559 | 155,703 |
| Related party payables | | 685,107 | 639,419 |
| | | 896,610 | 803,933 |

Trade payables are non-interest bearing and normally settled within 33 days.

14. Financial Liabilities

Current

| | | |
|---|--------|---------|
| Borrowings – unsecured – related- interest free | 88,265 | 104,817 |
| | 88,265 | 104,817 |

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

| | Consolidated | Consolidated |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| 15. Issued Capital | | |
| 930,235,499 (2022: 664,948,251) fully paid ordinary shares | 61,883,062 | 58,844,602 |

(a) Ordinary Shares

| | Consolidated | Consolidated | Consolidated | Consolidated |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | Number | Number |
| At the beginning of reporting period | 58,844,602 | 58,843,159 | 664,948,251 | 664,919,389 |
| Shares issued for cash | 4,061,696 | 1,443 | 262,423,244 | 28,862 |
| Share issue costs - cash | (477,447) | - | - | - |
| Share issue costs – share-based payments | (592,506) | - | - | - |
| Loss on shares issued in extinguishment of debt - share-based payments | 11,456 | - | - | - |
| Shares and share options issued in extinguishment of debt | 35,261 | - | 2,864,004 | - |
| At the end of reporting period | 61,883,062 | 58,844,602 | 930,235,499 | 664,948,251 |

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 2023 on ASX was 2.3 cents per share.

(b) Options

Refer to Note 25 for the movement of options on issue during the financial year. The holders of options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

(c) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. The focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet corporate overheads. The 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 2023 and 30 June 2022 is as follows:

| | Consolidated | Consolidated |
|--|---------------------|---------------------|
| | 2023 (\$) | 2022 (\$) |
| Cash and cash equivalents | 5,614,184 | 2,894,998 |
| Trade receivables and financial assets | 1,332,440 | 158,930 |
| Prepayments | 50,000 | - |
| Trade payables and financial liabilities | (984,875) | (908,750) |
| Net working capital position | 6,011,749 | 2,145,178 |

Refer to Note 1 for further details of the Group's financial position and plans to manage the working capital deficit at 30 June 2023.

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

| | Consolidated | |
|----------------------------------|------------------|------------------|
| | 2023 (\$) | 2022 (\$) |
| 16. Reserves | | |
| Option premium reserve (a) | 438,799 | - |
| Share based payments reserve (b) | 1,888,272 | 1,105,671 |
| | <u>2,327,071</u> | <u>1,105,671</u> |

(a) Option premium reserve

The option premium reserve records items recognised on the issue of options for capital raising purposes.

| | | |
|---------------------------------------|----------------|----------|
| At the beginning of reporting period | - | - |
| Loyalty options issued to settle debt | 35,257 | - |
| Loyalty options issued for cash | 403,542 | - |
| At the end of reporting period | <u>438,799</u> | <u>-</u> |

The Company undertook a Loyalty Option issue of one (1) option for every eight (8) shares held ("Loyalty Options") with an offer closing date of 10 May 2023 and a subscription price of \$0.004 per Loyalty Option. The Loyalty Options, which have the same exercise price and expiry date as the Attaching Options, raised \$438,799 from the issue of 109,699,865 Loyalty Options in May and June 2023, of which \$403,542 was received in cash and \$35,257 set off against liabilities for director fees.

(b) Share based payments reserve

The share based payments reserve records the valuation of share options issued as share based payments.

| | | |
|--------------------------------------|------------------|------------------|
| At the beginning of reporting period | 1,105,671 | 1,105,671 |
| Share based payments expense | 190,095 | - |
| Capital raising costs | 592,506 | - |
| At the end of reporting period | <u>1,888,272</u> | <u>1,105,671</u> |

17. Controlled Entities

| Name of Entity | Principal Activity | Country of Incorporation | Ownership Interest % | |
|----------------------------------|---------------------|--------------------------|----------------------|-------------|
| Parent Entity | | | 2023 | 2022 |
| BPH Energy Limited | Investment | Australia | | |
| Subsidiaries | | | | |
| Diagnostic Array Systems Pty Ltd | BioMedical Research | Australia | 51.82 | 51.82 |

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

BPH owns a 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 BPH and is consolidated in these financial statements. DAS's loss for the year was \$2,270 (2022: loss of \$276) of which \$1,094 (2022: \$133) is attributable to minority interests. DAS's total assets at year-end were \$332 (2022: \$202), total liabilities \$369,231 (2022: \$366,831), and net equity negative \$368,900 (2022: negative net equity \$366,629).

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

| | | Consolidated | |
|--|--|--------------------|--------------------|
| | | 2023 \$ | 2022 \$ |
| 18. Cash Flow Information | | | |
| (a) Reconciliation of cash flow from operations with loss after income tax: | | | |
| Operating profit / (loss) after income tax | | 852,332 | (1,078,581) |
| <i>Non-cash items:</i> | | | |
| Fair value gain | | (2,433,227) | - |
| Impairment reversed | | (18,916) | (16,975) |
| Interest revenue on loans | | (106,576) | (153,730) |
| Share-based payments | | 201,552 | - |
| Consulting fees satisfied by share issue of associate | | 105,000 | - |
| Expected credit loss | | 90,493 | 88,375 |
| Share of associates' losses | | 192,412 | 405,496 |
| Foreign exchange gain | | (387) | - |
| <i>Changes in net assets and liabilities</i> | | | |
| (Increase) in other assets | | (50,000) | (20,000) |
| (Increase) in trade and other receivables | | (28,456) | (20,069) |
| Increase / (decrease) in trade payables and accruals | | 145,191 | (226,640) |
| Net cash (used in) operating activities | | <u>(1,050,582)</u> | <u>(1,022,124)</u> |
| (b) Reconciliation of cash | | | |
| Cash at the end of the financial year as shown in the statement of cashflows is reconciled to items in the statement of financial position as follows: | | | |
| Cash and cash equivalents | | <u>5,614,184</u> | <u>2,894,998</u> |
| (c) Changes in liabilities arising from financing activities – unsecured borrowings | | | |
| At the beginning of reporting period | | 104,817 | 104,817 |
| Repayment of loan | | (16,552) | - |
| At the end of reporting period | | <u>88,265</u> | <u>104,817</u> |

19. Subsequent Events

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

20. 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 third parties. 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 2023

BPH Energy Limited

20. 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:

| | 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 \$ |
|-----------------------------|--|------------------------------------|---|---|-----------------------------------|-------------|
| 2023 Consolidated | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 1.09 | 5,614,184 | - | - | - | 5,614,184 |
| Trade and other receivables | - | - | - | - | 64,812 | 64,812 |
| Financial assets | 5.20 | - | 1,243,433 | 1,998,986 | 7,657,293 | 10,899,712 |
| | | 5,614,184 | 1,243,433 | 1,998,986 | 7,722,105 | 16,578,708 |
| Liabilities | | | | | | |
| Trade and other payables | - | - | - | - | 896,610 | 896,610 |
| Financial liabilities | - | - | - | - | 88,265 | 88,265 |
| | | - | - | - | 984,875 | 984,875 |
| 2022 Consolidated | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 0.01 | 2,894,998 | - | - | - | 2,894,998 |
| Trade and other receivables | - | - | - | - | 36,356 | 36,356 |
| Financial assets | 5.10 | - | 100,352 | 4,137,588 | 4,077,601 | 8,315,541 |
| | | 2,894,998 | 100,352 | 4,137,588 | 4,113,957 | 11,246,895 |
| Liabilities | | | | | | |
| Trade and other payables | - | - | - | - | 803,933 | 803,933 |
| Financial liabilities | - | - | - | - | 104,817 | 104,817 |
| | | - | - | - | 908,750 | 908,750 |

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

20. 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.

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

| | Consolidated 2023 | | Consolidated 2022 | |
|---|------------------------------|-------------------|------------------------------|-------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | \$ | \$ | \$ | \$ |
| <i>Financial Assets</i> | | | | |
| Investment in unlisted entities | 7,633,098 | 7,633,098 | 4,055,379 | 4,055,379 |
| Investment in listed entities | 22,222 | 22,222 | 22,222 | 22,222 |
| Financial assets and trade and other receivables | 3,309,204 | 3,309,204 | 4,274,296 | 4,274,296 |
| | <u>10,964,524</u> | <u>10,964,524</u> | <u>8,351,897</u> | <u>8,351,897</u> |
| <i>Financial Liabilities</i> | | | | |
| Other loans and amounts due | 88,265 | 88,265 | 104,817 | 104,817 |
| Trade and other payables | 896,610 | 896,610 | 803,933 | 803,933 |
| | <u>984,875</u> | <u>984,875</u> | <u>908,750</u> | <u>908,750</u> |

Sensitivity Analysis – Interest Rate Risk

The Group has performed a 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 | |
|-------------------------------------|---------------------|-------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Change in profit / (loss) | | |
| — Increase in interest rate 1% | 47,215 | 29,238 |
| — Decrease in interest rate by 0.5% | (23,507) | (288) |

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

20. 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 2023 | Carrying amount | Total | 2 mths or less | 2-12 mths |
|------------------------------|----------------------------|----------------|---------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| <i>Financial liabilities</i> | | | | |
| Trade and other payables | 896,610 | 896,610 | 151,631 | 744,979 |
| Unsecured loans | 88,265 | 88,265 | - | 88,265 |
| | <u>984,875</u> | <u>984,875</u> | <u>151,631</u> | <u>833,244</u> |

| 30 June 2022 | Carrying amount | Total | 2 mths or less | 2-12 mths |
|------------------------------|----------------------------|----------------|---------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| <i>Financial liabilities</i> | | | | |
| Trade and other payables | 803,933 | 803,933 | 8,809 | 795,124 |
| Unsecured loans | 104,817 | 104,817 | - | 104,817 |
| | <u>908,750</u> | <u>908,750</u> | <u>8,809</u> | <u>899,941</u> |

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

The following table provides an analysis of 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 2023

BPH Energy Limited

20. 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 (i) 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.

30 June 2023

| | \$ | \$ | \$ | \$ |
|--|---------|-----------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit and loss | | | | |
| - Investments in unlisted entities | - | 6,488,606 | 1,144,492 | 7,633,098 |
| - Investments in listed entities | 22,222 | - | - | 22,222 |
| Total | 22,222 | 6,488,606 | 1,144,492 | 7,655,320 |

30 June 2022

| | \$ | \$ | \$ | \$ |
|--|---------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit and loss | | | | |
| - Investments in unlisted entities | - | 4,055,379 | - | 4,055,379 |
| - Investments in listed entities | 22,222 | - | - | 22,222 |
| Total | 22,222 | 4,055,379 | - | 4,077,601 |

Reconciliation of fair value measurements of financial assets:

| | 2023 (\$) | 2023 (\$) | 2023 (\$) |
|--|-----------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 |
| Opening balance | 22,222 | 4,055,379 | - |
| Fair value gain on unlisted investment | - | 2,433,227 | - |
| Acquisition of investments | - | - | 1,144,492 |
| Closing balance | 22,222 | 6,488,606 | 1,144,492 |
| | 2022 (\$) | 2022 (\$) | 2022 (\$) |
| | Level 1 | Level 2 | Level 3 |
| Opening balance | 22,222 | 3,685,379 | - |
| Acquisition of investments | - | 370,000 | - |
| Closing balance | 22,222 | 4,055,379 | - |

21. Related Party Transactions

(a) *Equity interests in controlled entities*

The % of ordinary shares held in controlled entities is disclosed in Note 17 to the financial statements.

(b) *Directors' remuneration*

Details of directors' remuneration and retirement benefits are located in the Directors Report and Note 6.

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 (2022: \$98,000), included as part of his fees in the Remuneration Report. Refer to the Remuneration Report in the Directors' Report for shares and options issued to directors.

(c) *Receivables, payables and transactions with associates*

Molecular Discovery Systems Limited ("MDS") is a related party of the Company. Refer to Notes 10 and 11 for the Company's loan receivable and investment. During the period the Company charged MDS \$76,991 (2022: \$70,618) in loan interest on a convertible loan with a balance of \$920,579 at year end (2022: \$843,586). 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 \$706,700 (2022: \$693,200). The Company lent MDS \$13,500 during the year. The loan is unsecured, non-interest bearing and repayable on demand. The Company has raised an expected credit loss provision against this loan. The Company recognised an impairment reversal of \$18,916 (2022: reversal of \$16,975) in respect the carrying value of its investment in MDS.

The Company charged associate Advent Energy Limited, a company of which Mr Breeze is a director, \$165,369 loan interest during the period (2022: \$80,242). Advent paid the Company \$146,152 loan interest during the period (2022: \$Nil). The Company was repaid a net loan of \$614,345 by the Advent group during the period (2022: provided a net loan of \$3,502,620). At balance date the Company was owed \$3,079,228 by Advent (2022: \$4,137,588). Refer to Notes 10 and 11 for the Company's investment and loan receivables. Interest on loans has been charged at 5.1%.

The Company entered an agreement with associate Advent Energy Limited during the year whereby \$105,000 in fees owed to a Company consultant would be satisfied by the issue of Advent shares, with settlement being recognised through the BPH / Advent loan account.

On 2 August 2022 BPH announced that, following its shareholders' meeting on 21 June 2022 at which shareholders voted unanimously to approve an investment in hydrogen technology company Clean Hydrogen Technologies Corporation ("Clean Hydrogen" or "Vendor" or "Borrower"), BPH and its investee Advent Energy Ltd ("Advent" or "Lender") settled for the acquisition of a 10% interest in Clean Hydrogen for \$1,000,000 USD ("Cash Consideration") (8% BPH and 2 % Advent) under a Loan Conversion Agreement dated 25 July 2022 following the payment of US\$535,996 by the Purchasers, which was net of loans, accrued interest and deposits owed to the Purchasers by Clean Hydrogen. As part of this settlement there was a set off of \$358,232 through the BPH / Advent loan account.

(d) *Other Interests*

Refer to Note 10 for the Company's investment in Cortical Dynamics Limited. The Company invested \$Nil (2022: \$370,000) in Cortical during the year.

21. Related Party Transactions (continued)

(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 \$128,640 in administration and service fees (2022: \$128,640). At balance date a \$86,291 loan (2022: \$104,817) was payable to Grandbridge. The Company repaid Grandbridge \$16,552 during the period. Grandbridge subscribed for 151,832 shares in the Company's September 2022 Rights Issue at \$0.013 per share. The subscription funds of \$1,974 were settled through the BPH / Grandbridge loan account.

The Company has a \$3,423 receivable owing by Grandbridge as at 30 June 2023, refer Note 9.

The Company charged Grandbridge's 100% subsidiary, Grandbridge Securities Limited \$Nil (2022: \$68,143) in respect of sub-underwriting fees relating to BPH's investment in Advent.

MEC Resources Limited has a common Managing Director, Mr David Breeze, and is therefore a related party of the Company. During the period BPH loaned MEC \$52,470 (2022: \$97,482) and charged MEC \$10,369 (2022: \$2,870) in interest. At balance date \$163,191 (2022: \$100,352) was payable by MEC to the Company, classified as a current asset.

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

21. Related Party Transactions (continued)

The directors participated in the September 2022 Rights Issue with an associated free attaching option, satisfying the consideration by means of debt settlement against directors' fees owing:

| Director | Shares Issued | Shares - debt settlement (\$) | Shares – share based payments (\$) | Options Issued | Options – share based payments (\$) |
|---------------------------|---------------|-------------------------------|------------------------------------|----------------|-------------------------------------|
| David Breeze ¹ | 2,298,110 | \$29,875 | \$9,192 | 2,298,110 | \$16,104 |
| Charles Maling | 202,891 | \$2,638 | \$812 | 202,891 | \$1,422 |
| Tony Huston | 363,003 | \$4,719 | \$1,452 | 363,003 | \$2,544 |
| Total | 2,864,004 | \$37,232 | \$11,456 | 2,864,004 | \$20,070 |

¹ These include securities held by Grandbridge Limited, a Company of which Mr Breeze is Managing Director, with a shares debt settlement by Grandbridge of \$1,974 and shares / options share based payments of \$1,671.

The Rights Issue shares were issued at \$0.013 per share with a free attaching option with an exercise price of \$0.03 per option and an expiry date of 30 September 2024. The share price at the date of settlement was \$0.017.

The Directors participated in the February 2023 Loyalty Options Issue satisfying the consideration by means of the following debt settlement against directors' fees owing:

| Director | Options Issued | Options - debt settlement (\$) | Options – share based payments (\$) |
|----------------|----------------|--------------------------------|-------------------------------------|
| David Breeze | 6,975,400 | \$27,900 | \$64,485 |
| Charles Maling | 659,393 | \$2,638 | \$6,096 |
| Tony Huston | 1,179,759 | \$4,719 | \$10,906 |
| Total | 8,814,552 | \$35,257 | \$81,487 |

The Loyalty Options were issued at \$0.004 per option with an exercise price of \$0.03 per option and an expiry date of 30 September 2024.

Director David Breeze participated in the February 2023 Incentive Options Issue which were issued for nil consideration:

| Director | Options Issued | Options – share based payments (\$) |
|--------------|----------------|-------------------------------------|
| David Breeze | 15,000,000 | \$88,538 |

The Incentive Options have an exercise price of \$0.03 per option and an expiry date of 30 September 2024.

Other than the above, and director remuneration, there have been no material related party transactions during the period.

22. Commitments and Contingencies

At reporting date there are no capital commitments or contingencies other than those of Advent Energy Limited, an entity in which the Company currently has a 35.8% direct interest as disclosed in Note 11.

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

23. Share-Based Payments

The following share-based payment arrangements (options) existed at 30 June 2023:

| Total number | Grant Date | Exercise price | Fair value at grant date | Expiry date |
|--------------------------|-------------------------|----------------|--------------------------|-------------------|
| 1,200,000 | November 2019 | \$0.02 | \$0.0005 ¹ | 30 November 2024 |
| 100,462,930 ² | August 2022 to May 2023 | \$0.03 | \$0.0078 | 30 September 2024 |
| 101,762,930 | | | | |

1. Pre April 2020 share consolidation

2. Consisting of 26,678,556 held by directors and their related entities, and 73,784,374 issued to brokers for services provided

Included under share-based payments in the profit and loss is \$201,551 (2022: \$Nil) of which \$190,095 (2022: \$Nil) relates to share options and \$11,456 (2022: \$Nil) relates to fully paid ordinary shares.

The Company issued Everblu Capital Limited ("Everblu") 38,461,538 Broker Options and 22,164,942 Broker Options as part of their fees for the August 2022 and October 2022 share placements respectively. The options were valued with a Black and Scholes option pricing model at the date the services were engaged and the August 2022 Broker Options had a fair value of \$269,525 and the October 2022 Broker Options had a fair value of \$221,469. The Company issued Everblu 9,210,526 Broker Options and 62 Capital Limited 3,947,368 Broker Options as part of their fees for the May 2023 share placement. The options were valued with a Black and Scholes option pricing model at the date the services were engaged and the August 2022 Broker Options had a fair value of \$101,513. The Broker Options have an exercise price of \$0.03 each and an expiry date of 30 September 2024.

As part of the September 2022 Rights Issue, the Company issued the directors and their related parties 2,864,004 shares for \$0.013 each and 2,864,004 free attaching share options exercisable at \$0.03 each, expiring 30 September 2024. The consideration was satisfied by means of a debt settlement against amounts owing of \$37,232 (including shares issued to Grandbridge Limited). The shares were valued using the market value at the date of settlement and had a fair value of \$48,688, resulting in a loss on settlement of \$11,456. The options were valued with a Black and Scholes option pricing model with a fair value of \$20,070.

As part of the February 2023 Loyalty Options Issue, the Company issued the directors 8,814,552 share options with a subscription price of \$0.004 per option and exercisable at \$0.03 each, expiring 30 September 2024. The Directors satisfied the consideration by means of a debt settlement against directors' fees owing of \$35,257. The options were valued with a Black and Scholes option pricing model with a fair value of \$81,487.

Director David Breeze was issued 15,000,000 Incentive Options in February 2023 subsequent to shareholder approval at the Company's November 2022 Annual General Meeting. The options were valued with a Black and Scholes option pricing model with a fair value of \$88,538.

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

23. Share-Based Payments (continued)

The share based payments can be summarised as follows:

| | 30 June 2023 (\$) | 30 June 2022 (\$) |
|--|----------------------|----------------------|
| <i>Share based payments expense – profit or loss</i> | | |
| Loss on shares issued in extinguishment of debt | 11,456 | - |
| Director rights issue options | 20,070 | - |
| Director loyalty options issued in extinguishment of debt | 81,487 | - |
| Director incentive options | 88,538 | - |
| | <u>201,551</u> | <u>-</u> |
| <i>Share based payments expense – contributed equity</i> | | |
| Loss on shares issued in extinguishment of debt | 11,456 | - |
| | <u>11,456</u> | <u>-</u> |
| <i>Share based payments expense – capital raising costs</i> | | |
| August 2022 broker options | 269,525 | - |
| October 2022 broker options | 221,468 | - |
| May 2023 broker options | 101,513 | - |
| | <u>592,506</u> | <u>-</u> |
| <i>Share based payments expense – share based payments reserve</i> | | |
| August 2022 broker options | 269,525 | - |
| October 2022 broker options | 221,468 | - |
| May 2023 broker options | 101,513 | - |
| Director rights Issue options | 20,070 | - |
| Director loyalty options | 81,487 | - |
| Director incentive options | 88,538 | - |
| | <u>782,601</u> | <u>-</u> |

Options granted confer a right of one ordinary share for every option held. The fair value of options granted is estimated using a Black and Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the valuation model used:

| | | | |
|--|-----------------------------|------------------------------|-----------------------------|
| Grant / settlement date | 18 August 2022 ¹ | 11 October 2022 ² | 18 August 2022 ³ |
| Number of options | 38,461,538 | 22,164,942 | 2,864,004 |
| Share price at grant / settlement date | \$0.017 | \$0.022 | \$0.017 |
| Exercise price | \$0.03 | \$0.03 | \$0.03 |
| Expected volatility | 100% | 100% | 100% |
| Expected life | 2.1 years | 1.9 years | 2.1 years |
| Expected dividends | Nil | Nil | Nil |
| Risk-free interest rate | 2.5% | 2.5% | 2.5% |
| Fair value at grant date | \$269,525 | \$221,469 | \$20,070 |
| Grant / settlement date | 24 March 2023 ⁴ | 2 November 2022 ⁵ | 17 April 2023 ⁶ |
| Number of options | 8,814,552 | 15,000,000 | 13,157,894 |
| Share price at grant / settlement date | \$0.023 | \$0.016 | \$0.021 |
| Exercise price | \$0.03 | \$0.03 | \$0.03 |
| Expected volatility | 100% | 100% | 100% |
| Expected life | 1.5 years | 1.9 years | 1.5 years |
| Expected dividends | Nil | Nil | Nil |
| Risk-free interest rate | 2.5% | 2.5% | 2.5% |
| Fair value at grant date | \$81,487 | \$88,538 | \$101,513 |

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

23. Share-Based Payments (continued)

- ¹A fee to the lead manager in relation to an August 2022 share placement and form part of capital raising costs
²A fee to the lead manager in relation to an October 2022 share placement and form part of capital raising costs
³These were free attaching options to shares issued in settlement of debt
⁴These were options issued to directors as part of the loyalty options issue
⁵These were Incentive Options issued to director David Breeze
⁶A fee to the managers in relation to a May 2022 share placement and form part of capital raising costs.

24. Operating Segments

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 three principal industries and these are

- biotechnology,
- oil, gas and hydrogen exploration and development, and
- medicinal cannabis.

25. Share Options

All options granted confer a right of one ordinary share for every option held. The number of share options on issue at period end was as follows:

| Grant Date | Date of Expiry | Exercise Price | Number Under Option |
|--------------------------|-------------------|----------------|---------------------|
| November 2019 | 30 November 2024 | \$0.02 | 1,200,000 |
| August 2022 to June 2023 | 30 September 2024 | \$0.03 | 437,456,198 |

The movement in share options during the period is as follows:

| Consolidated | 2023 | | 2022 | |
|--|-------------------|------------------------------------|-------------------|------------------------------------|
| | Number of Options | Weighted Average Exercise Price \$ | Number of Options | Weighted Average Exercise Price \$ |
| Outstanding at the beginning of the year | 105,121,392 | 0.06 | 105,350,254 | 0.07 |
| Expired | (103,921,392) | (0.07) | (200,000) | (0.20) |
| Exercised | - | - | (28,862) | (0.05) |
| Issued as free attaching options | 238,964,459 | 0.03 | - | - |
| Issued as broker options | 73,784,374 | 0.03 | - | - |
| Issued as loyalty options | 109,699,865 | 0.03 | - | - |
| Issued as cleansing options | 7,500 | 0.03 | - | - |
| Issued as share-based payments | 15,000,000 | 0.03 | - | - |
| Outstanding at year-end | 438,656,198 | 0.03 | 105,121,392 | 0.06 |
| Exercisable at year-end | 438,656,198 | 0.03 | 105,121,392 | 0.06 |

Notes to the Financial Statements for the year ended 30 June 2023

BPH Energy Limited

Company

| June 2023 | June 2022 |
|-----------|-----------|
| \$ | \$ |

26. Parent Entity Disclosures

Financial Position

Assets

| | | |
|--------------------|------------|------------|
| Current assets | 6,996,292 | 3,053,727 |
| Non-current assets | 13,312,353 | 12,174,501 |
| Total asset | 20,308,645 | 15,228,228 |

Liabilities

| | | |
|---------------------|---------|---------|
| Current liabilities | 896,606 | 928,381 |
| Total liabilities | 896,606 | 928,381 |

Equity

| | | |
|--------------------|--------------|--------------|
| Issued capital | 62,321,861 | 58,844,602 |
| Accumulated losses | (44,798,094) | (45,650,426) |
| Option reserve | 1,888,272 | 1,105,671 |
| Total equity | 19,412,039 | 14,299,847 |

Financial Performance

| | | |
|--|---------|-------------|
| Profit / (loss) after tax for the year | 852,332 | (1,078,581) |
| Other comprehensive income | - | - |
| Total comprehensive profit / (loss) | 852,332 | (1,078,581) |

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 26 to 59 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; and
 - (b) give a true and fair view of the financial position as at 30 June 2023 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; and
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 16th August 2023

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 Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 (including Independence Standards)* ("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.

Emphasis of Matter - Material uncertainty related to the carrying value of the loan receivable from, and investment in, Advent Energy Limited

We draw attention to Note 11 in the financial report, which indicates that a material uncertainty exists in relation to the Group's ability to realise the carrying value of its loan receivable from, and investment in, Advent Energy Limited in the ordinary course of business. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|--|
| Investments accounted for using equity method Note 11 | |
| <p>As at 30 June 2023, the carrying value of the investments accounted for using the equity method was \$3,768,206 and the Group's share of the associates' losses was \$192,412.</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 involved significant levels of judgement.</p> | <p>Our procedures included, but were not limited to the following;</p> <ul style="list-style-type: none"> - We agreed the share of losses to the associates' audited financial statements; - We reviewed the disclosures made in the financial statements; - We considered if there were indicators of impairment present; and - We included an emphasis of matter paragraph above in relation to recoverability of the investment in, and loan receivable from, Advent Energy Limited. |
| Valuation of financial assets Note 10 | |
| <p>As at 30 June 2023, the Group had recorded financial assets comprising loan receivables with a carrying value of \$3,244,392 and investments at a fair value of \$7,655,320.</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 and expected credit losses</p> | <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - We considered the ability of the other party to repay its loan to the Group to determine if any additional expected credit loss provisions were required; - We confirmed the Group's shareholdings in its investments; - We assessed the Group's valuation of individual investment holdings; - For investments where there was less or little observable market data, including level 2 and 3 holdings as disclosed in note 20, we obtained and assessed other relevant valuation data; and - We reviewed the disclosures made in the financial statements. |

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 Group's annual report for the year ended 30 June 2023, 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 Group 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 Group 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

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 2023.

In our opinion, the Remuneration Report of BPH Energy Limited for the year ended 30 June 2023 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
16 August 2023



D B Healy
Partner

Additional Securities Exchange Information

BPH Energy Limited

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

The information is stated as at 8 August 2023.

1. Substantial Shareholder

The names of shareholders who have lodged a substantial shareholder notice with ASX are:

| Shareholder | Shares | % |
|--|------------|-------|
| David Breeze, Trandcorp Pty Ltd, Grandbridge Limited | 59,750,805 | 6.42% |

2. (a) Distribution of Shareholders

| Range of Holding | Shareholders | Number of Ordinary Shares | % |
|------------------|--------------|---------------------------|-------------|
| 1 – 1,000 | 1,048 | 327,371 | 0.04% |
| 1,001 – 5,000 | 1,430 | 4,503,336 | 0.48% |
| 5,001 – 10,000 | 1,154 | 8,956,787 | 0.96% |
| 10,001 – 100,000 | 3,413 | 130,724,986 | 14.05% |
| 100,001 and over | 1,328 | 785,723,019 | 84.47% |
| | 8,373 | 930,235,499 | 100% |

The number of shareholders holding an unmarketable parcel was 4,994.

(b) Distribution of Unlisted Option Holders

| Range of Holding | Option Holders | Number of Options | % |
|------------------|----------------|-------------------|--------|
| 100,001 and over | 2 | 16,200,000 | 100.00 |

(a) Distribution of Listed Option Holders

| Range of Holding | Shareholders | Number of Options | % |
|------------------|--------------|--------------------|-------------|
| 1 – 1,000 | 360 | 147,549 | 0.04% |
| 1,001 – 5,000 | 414 | 1,089,919 | 0.26% |
| 5,001 – 10,000 | 189 | 1,337,340 | 0.32% |
| 10,001 – 100,000 | 477 | 16,658,290 | 3.94% |
| 100,001 and over | 307 | 403,223,100 | 95.45% |
| | 1,747 | 422,456,198 | 100% |

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 options do not have the right to vote.

Additional Securities Exchange Information

BPH Energy Limited

5. Restricted Securities

There are no restricted securities on issue.

6. Twenty Largest Shareholders

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 |
|--|---|--------------------------------------|
| Trandcorp Pty Ltd | 37,734,475 | 4.06 |
| Jgm Property Investments Pty Ltd | 30,000,000 | 3.22 |
| Markovic Family No 2 Pty Ltd | 14,346,269 | 1.54 |
| Trandcorp Pty Ltd <Trandcorp Super Fund A/C> | 13,222,497 | 1.42 |
| Mr Anthony Huston | 9,438,070 | 1.01 |
| Citicorp Nominees Pty Limited | 9,194,041 | 0.99 |
| Ms Chunyan Niu | 8,186,031 | 0.88 |
| Mr Jibran Hameed | 7,467,232 | 0.8 |
| Mr Ivan Vanis | 7,000,000 | 0.75 |
| Mr Chris Strat | 6,914,198 | 0.74 |
| BNP Paribas Noms Pty Ltd <Drp> | 6,822,353 | 0.73 |
| Suburban Holdings Pty Ltd <The Suburban Super Fund A/C> | 6,578,947 | 0.71 |
| Strat Super Fund <Strat S/F Account> | 6,501,672 | 0.7 |
| Mrs Angelika Levayev | 6,000,000 | 0.64 |
| Anstey Superannuation Fund Pty Ltd <Anstey Family S/F A/C> | 6,000,000 | 0.64 |
| Miss Sandra Joy Feeley | 5,790,000 | 0.62 |
| Mr Tristan Edwin Bonnefin | 5,771,617 | 0.62 |
| JLM Corporation Pty Ltd | 5,364,657 | 0.58 |
| Mr Charles Verdon Maling | 5,275,144 | 0.57 |
| Trandcorp Pty Ltd <Trandcorp Super Fund A/C> | 4,676,863 | 0.5 |
| | 202,284,066 | 21.75 |

Additional Securities Exchange Information

BPH Energy Limited

7. Twenty Largest Option Holders

The names of the twenty largest option holders of the Company are:

| Name | Number of ordinary fully paid shares | % held of issued ordinary capital |
|--|---|--------------------------------------|
| Tan And Vuong Family Super Pty Ltd <Golden Family Sf A/C> | 20,000,000 | 4.73 |
| Bujo Pty Ltd | 20,000,000 | 4.73 |
| Matthew Burford Super Fund Pty Ltd <Burford Superfund A/C> | 15,134,478 | 3.58 |
| Arlewis Pty Ltd <Lewis Family Super Fund A/C> | 14,612,790 | 3.46 |
| Clayton Capital Pty Ltd | 10,651,458 | 2.52 |
| Mr Andrew Edwin Young | 9,982,280 | 2.36 |
| Arlewis Pty Ltd <Lewis Family Super Fund A/C> | 9,899,616 | 2.34 |
| Threebee Investment Group Pty Ltd | 9,772,323 | 2.31 |
| Eurovest Pty Ltd | 9,503,375 | 2.25 |
| Dr Kong Jung Au Yong | 9,337,545 | 2.21 |
| Sibeek Pty Ltd <Sibeek Sf A/C> | 8,333,333 | 1.97 |
| The High Club Ltd | 8,129,000 | 1.92 |
| Mr Sufian Ahmad <Sixty Two Capital A/C> | 7,793,523 | 1.84 |
| Markovic Family No 2 Pty Ltd | 7,510,844 | 1.78 |
| Tsol Nominees Pty Ltd | 7,500,000 | 1.78 |
| Mr John Frank Borgogno | 6,500,000 | 1.54 |
| Mr Stephen John Donald | 6,500,000 | 1.54 |
| Jgm Property Investments Pty Ltd | 6,197,090 | 1.47 |
| Trandcorp Pty Ltd | 6,168,136 | 1.46 |
| | 198,944,291 | 47.09 |