bphenergy HEALTH TECHNOLOGY RESOURCES

ANNUAL REPORT 2018

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BPH ENERGY LIMITED
AND IT'S CONTROLLED ENTITIES

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Australian Securities

Exchange Listing
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ASX Code: BPH

Australian Business Number

41 095 912 002

Photographis and images used throughout this report do not depict assets of the company unless expressly indicated.

CHAIRMAN'S LETTER

Dear Shareholder

Developments in the company's biotech/medtech investments continue.

BPH investee Cortical Dynamics Ltd announced a number of significant advances during the period which included:-

Its first European trial with the Hospital Foch in Paris, France. The arrangement with Hospital Foch was the second installation of the BAR Monitor technology internationally and the first for Cortical in Europe. Cortical also appointed Reno Wright Smith & Partners ("RWS") to undertake marketing activities to assist Cortical to enter the European market. RWS, based in Chicago, Illinois, are specialists in commercialisation of early stage medical technologies.

Further evaluation trials continue in Melbourne and Sydney. Cortical's BARM has recently been used in further successful trials at Strathfield Private Hospital in Sydney. Strathfield is part of the Ramsay private hospital group.

Cortical advised it had signed its first European Distribution agreement covering the BARM for of Belgium, Netherlands and Luxembourg. Cortical will initially focus on the Total Intravenous Anaesthesia ("TIVA") market within Europe. TIVA provides a method of inducing and maintaining general anaesthesia intravenously without the use of any inhalation agents.

Cortical was also invited by Austrade to attend and present at the Austrade Med Tech Innovation Showcase held in Korea in September 2016 and following this Cortical advised that it had signed a distribution agreement in South Korea. Cortical' s Monitor will be now exhibited by its Korean distributor GLOBALUCK on 8th to 10th November 2018 at the Congress of Korean Anaesthesiology in Seoul. Cortical's CTO will attend this conference and will also, with the assistance of Austrade, meet the heads of leading teaching and research hospitals in Korea.

Cortical also announced the appointment of Mr Gary Todd as Managing Director. His extensive international experience has included seven years in the Anaesthetic & Critical care division as sales and marketing manager for one of the three largest Medical device distributors in Australia.

BPH Energy Ltd has also announced it intends to pursue a complementary strategy of making investments in the medical cannabis sector. The medical cannabis sector is showing significant growth with current developments boosting the sectors viability including the move to legalise cannabis in Canada, the announcements by the UK Govt. to legalise medical cannabis and the Australian Govt. to legalise the export of medical cannabis from Australia.

Further discussions have been held on funding proposals for the HLS5 cancer gene with Chinese interest fostered by HLS5's potential in the treatment of liver cancer - a major medical challenge in China. BPH has announced a rights issue to raise up to $1,186,237 and Cortical has engaged Enable Funding to undertake a pre-IPO capital raising of up to $2 million.

These developments offer the capacity for exciting growth in the company's medtech investments.

BPH continues to focus on the priority drilling of a well at the Baleen drilling target in PEP11 at the earliest possible opportunity given significantly reduced rig rates and the availability of rigs to achieve this. (PEP11 interest held through Advent Energy)

The gas supply crisis on the east coast of Australia has created a significant market opportunity to raise the funding to drill with the objective of developing the PEP11 project and we continue to engage with investors who wish to fund this project. Our proposals involve funding initiatives for both of Advent Energy Limited's ("Advent") projects.

In January 2018 MEC Resources Limited ("MEC") (ASX: MMR) announced an extension of the PEP11 permit had been granted until 2021. The drilling of a well in PEP11 is a confirmed year 4 commitment as disclosed in that release with this to be completed by 12 February 2020 prior to a 3D seismic survey of 500 sq. km.

On 24 November 2017 the Advent AGM presentation "Strategic Summary: Tactics to Success" confirmed the strategy of "Complete current 2D seismic commitment to deliver shallow hazard survey work ...to deliver 'drill ready' gas prospect ..and.. actively pursue farm-out ..for early drilling, capturing near-term rig availability off Australia's coast."

In December 2017 MEC announced a conditional farmin with RL Energy Ltd, ("RL Energy") a company controlled by Greg Channon, who until immediately prior to the announcement was a director of Advent and charged with sourcing and negotiating funding for Advent's projects.

On 15 February 2018 MEC was placed in a trading halt after the ASX had asked a series of questions relating to MEC's December 2017 announcement referred to above. MEC confirmed in a letter released to ASX on 15 February 2018 in relation to RL Energy that "there can be no certainty that the provision of funding" for "the ... 3D seismic works will be finalised"".

On 19 February 2018 MEC also announced that the 3D farmin transaction with RL Energy would earn an unspecified percentage interest in the PEP11 permit by funding the 3D project only up to a maximum of $4 million. MEC has previously estimated the cost of this 500 sq. km of 3D at least up to $8 million.

On 10 January 2018 MEC announced the acceptance by NOPSEMA of the Baleen 2D High Resolution Seismic Plan. This approval process took approximately 7 months for a seismic program with a primary survey area of just 9 sq. km. This project had an initial estimated cost of $500,000 and had a final cost of $860,000.

A further announcement on 8 January 2018 confirmed Advent was planning the plug and abandonment of the three Bonaparte Basin wells Waggon Creek, Vienta and Weaber in the 2018 dry season. This did not occur. On 29 March 2018 an Instrument of Direction was issued to Advent's subsidiary, Onshore Energy Pty ltd, by the WA Govt. (DMIRS) for the Waggon Creek and Vienta wells in EP386. The Instrument of Direction to plug and abandon the wells must be completed by March 2020. The wet season means this work must be completed during 2019.

In the MEC prospectus lodged with ASIC on 16 May 2018 it was advised that a well management plan, environmental plan and safety case must be submitted to the DMIRS by 28 September 2018 for the decommissioning of Waggon Creek-1 and Vienta -1 wells. This also did not occur.

Independent proposals put forward to meet these permit commitments have not been accepted by Advent, and the Bonaparte assets have been 'sold' to a company which has not confirmed any funding to meet these commitments.

The issues at board level in MEC and Advent has been adverse to the development of these key projects and your company has continued to seek resolution of the issues and has only taken such steps as has been necessary to protect its position. A number of legal actions continue. MEC and its subsidiaries have court actions and claims against them for amounts in excess of $1.29 million.

D. Breeze.

Yours Sincerely
David Breeze
Chairman

COMPANY FOCUS & DEVELOPMENT

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BPH Energy's major investment is in Advent Energy Ltd, an unlisted oil and gas exploration and development company with onshore and offshore exploration and near-term development assets around Australia.

ADVENT ENERGY LTD

BPH Energy has a direct interest in Advent Energy of 24%. Advents assets include EP386 and RL1 (100%) in the onshore Bonaparte Basin in the north of Western Australia and Northern territory and PEP11 (85%) in the offshore Sydney Basin.

PEP 11 OIL AND GAS PERMIT

Advent, through wholly owned subsidiary Asset Energy Pty Ltd, holds 85% of Petroleum Exploration Permit PEP 11 – an exploration permit prospective for natural gas located in the Offshore Sydney Basin.

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.

Advent has previously interpreted significant seismically indicated gas features. 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 area surrounding the proposed drilling site on 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.

Importantly, "a recent review of more than 850 wildcat wells – all drilled after geochemical surveys – finds that 79% of wells drilled in positive anomalies resulted in commercial oil and gas discoveries." (Surface geochemical exploration for oil and gas: New life for an old technology, D. Schumacher, 2000, The Leading Edge)

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

Advent Energy has conducted a focussed seismic campaign around a key drilling prospect in PEP11 at Baleen, in the offshore Sydney Basin.

The high resolution 2D seismic survey covering approximately 200 line km was performed to assist in the drilling of the Baleen target approximately 30 km south east of Newcastle, New South Wales. A drilling target on the Baleen prospect at a depth of 2150 metres subsea has been identified in a review of previous seismic data. Intersecting 2D lines suggest an extrapolated 6000 acre (24.3 km2) seismic amplitude anomaly area at that drilling

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target. The report on this drilling target noted previous 2D seismic data showed that the Permian aged section of the Bowen Basin has producing conventional gas fields at a similar time and depth to PEP11 at the Triassic/Permian age boundary.

WESTERN AUSTRALIA / NORTHERN TERRITORY – ONSHORE BONAPARTE BASIN

Advent Energy Ltd ("Advent"), through wholly owned subsidiary Onshore Energy Pty Ltd, holds 100% of each of EP 386 and RL 1 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.

Within EP386, recoverable resource estimates range from 53.3 Bcf (Low) to 1,326.3 Bcf (High) of Prospective Resources, with a Best Estimate of 355.9 Bcf of gas.

In the NT, Advent holds Retention Licence 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 projects in EP386 and RL1.

Production testing at Wagon Creek

Unconventional Resources within EP 386 and 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's onshore EP386 and RL1 contain many large structures with conventional reservoir gas discoveries.

Advent has calculated a Prospective Resource (best estimate) of 9.8 TCF for the shale gas areas of the Bonaparte permits of EP386 and RL1.

CORTICAL DYNAMICS LIMITED

(BPH Energy has a holding in Cortical of 4.56% with a right to increase to aprox. 14%)

BAR Technology

"Calibrating anaesthetic monitoring to the individual rather than the average, results in better patient outcomes and is focused on saving time, money and lives"

Cortical is an Australian based medical device technology company that has developed an industry disruptive brain function monitor independently described as "a paradigm busting technology from an Australian based device house that really gives a significant advantage in this space". Its competitive advantage has been recognised by leading world experts in anaesthesia. Cortical has received both TGA approval and the CE mark and has now commenced its sales campaign.

The core product, the Brain Anaesthesia Response (BAR) monitor, was developed to better detect the effect of anaesthetic agents on brain activity, aiding anaesthetists in keeping patients optimally anaesthetised. The product is focused on integrated distribution with the leading global brands in operation theatre monitoring equipment.

The approach used is fundamentally different from all other devices currently available in the market in that its underlying algorithm produces EEG indexes which are directly related to the physiological state of the patient's brain. Such monitoring is gaining significant use during surgery, however even with the use of EEG monitors, it is not uncommon for there to be a critical imbalance between the patient's anaesthetic requirements and the anaesthetic drugs administered. While a number of EEG monitors are commercially available, one that is reliably able to quantify the patient's anaesthetic state is still desperately needed.

To date, all of the existing EEG based depth of anaesthesia monitors operate in the context of a number of well documented limitations: (i) Inability to monitor the analgesic effects; and (ii) Not all hypnotic agents are reliably measured.
The above limitations highlight the inadequacies in current EEG based depth of anaesthesia monitors, particularly given surgical anaesthesia requires both hypnotic and analgesic agents (and muscle relaxants).

The global brain monitoring market is predicted to grow to reach $1.6 billion by 2020. Around 234 million major surgical procedures are undertaken every year worldwide (Lancet 2008; 372) The pain monitoring market is valued at over $3.0 billion.

Initial marketing will focus on Total Intravenous Anaesthesia (TIVA), a method of inducing and maintaining general anaesthesia without the use of any inhalation agent. This is becoming more widely accepted, particularly in Western Europe. Approximately 29 million major general surgery general anaesthesias are conducted in the European Union each year, of which 55% are balanced anaesthesia (using a combination of intravenous agents such as propofol and volatile gases) and 20% are total intravenous anaesthesia using propofol. "The use of EEG-based depth of anaesthesia monitors has been recommended in patients receiving total intravenous anaesthesia because it is cost effective and because it is not possible to measure end-tidal anaesthetic concentration in this group" (source: nice.org.uk)

This creates an immediate market opportunity to Cortical in Europe alone.
Cortical's technology has a versatility that goes beyond depth of anaesthesia and may be applied to other EEG based markets, such as neuro-diagnostic, drug discovery, drug evaluation and the emerging Brain computer Interface (BCI) market. There are considerable opportunities offered by subsequent expansion of the company's core technology through developing the product to carry out additional functions including neuro-diagnostics of changes in brain and memory functions to provide early warning of degenerative diseases, pain response and tranquiliser monitoring for trauma patients in intensive care units. The BAR monitor is protected by five patent families in multiple jurisdictions worldwide consisting of 22 granted patents. Cortical will continue to drive the development of the BAR monitor, maintain its intellectual property and

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concentrate on obtaining regulatory approval for the BAR monitor.

Cortical has now commenced preparations for a sales program of the device in Europe, Australia, New Zealand and further development is also underway in Korea and Hong Kong. A USA based distributorship is expected to follow.

MOLECULAR DISCOVERY SYSTEMS

(BPH has a direct interest in MDS of 20%)

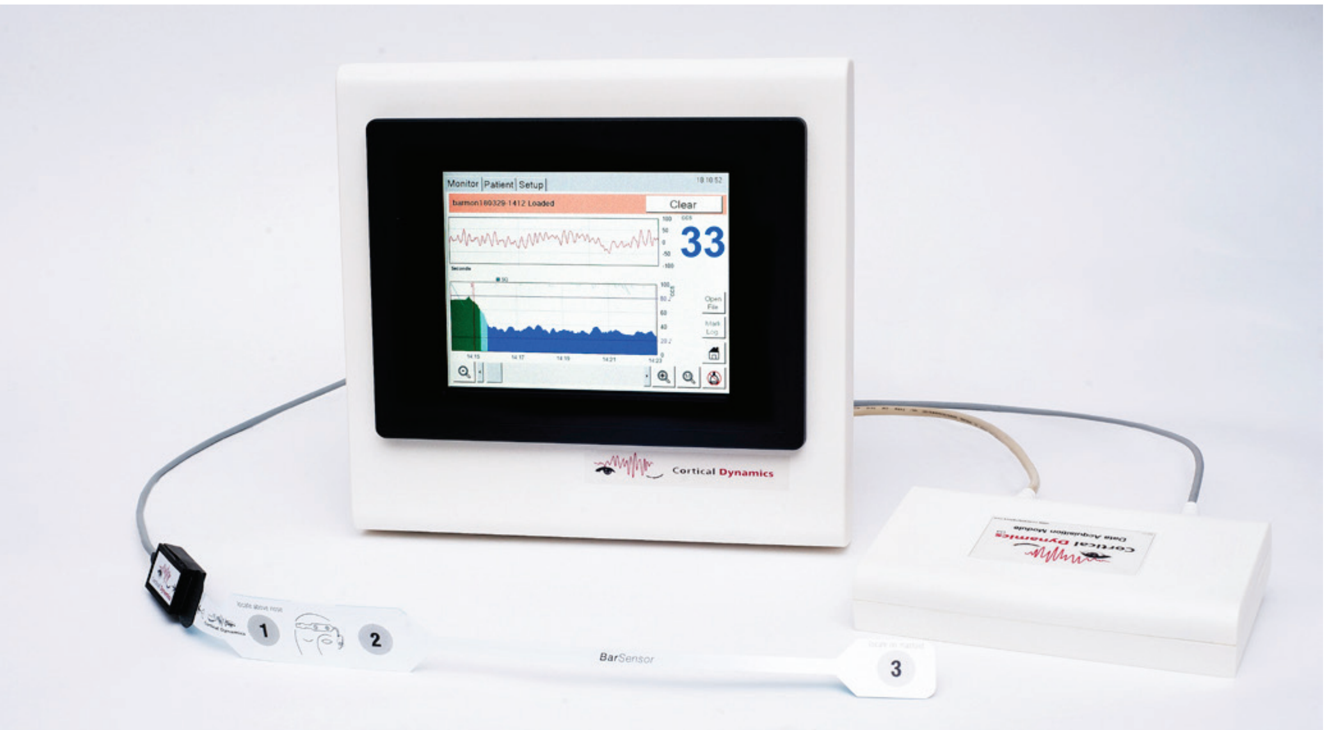
HLS5 Technology

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

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

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

Liver cancer ranks as the second leading cause of cancer-related deaths in developing countries. An estimated 782,500 new cases of liver cancer and 745,500 deaths occurred worldwide in 2012, of which China alone accounted for almost 50% of cases. While survival rates for many cancers have improved over the past two decades, there has been no major improvement in liver cancer prognosis. Liver cancer also looms as one of Australia's greatest cancer challenges, with new analyses predicting increased mortality from the disease in the future. At present, limited treatment options exist for patients with liver cancer.



REVIEW OF OPERATIONS

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INVESTMENT IN OIL AND GAS EXPLORATION COMPANY

Advent Energy Ltd (BPH 24.0% direct)

Advent Energy Ltd ("Advent") has assembled a range of hydrocarbon permits which contain near term production opportunities with pre-existing infrastructure and exploration upside. Advent's assets include EP386 and RL1 (100%) in the onshore Bonaparte Basin in the north of Western Australia and Northern Territory and PEP11 (85%) in the offshore Sydney Basin.

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

Undiscovered gross prospective recoverable gas resources for structural targets within the PEP11 offshore permit have been estimated at 5.7 Tcf (at the Best Estimate level). A Low Estimate of 0.3 Tcf and High Estimate of 67.8 Tcf has been assessed by Pangean Resources in 2010. PEP 11 lies adjacent to the most populous region of Australia and the major industrial hub and port of Newcastle. A high resolution 2D seismic survey has been conducted to assist in the drilling of the Baleen target approximately 30 km south of Newcastle.
Advent is investigating a considerable potential shale gas resource within EP386 and RL1. Studies indicate significant potential upside in prospective shale gas resources with an estimated (Best Estimate) prospective recoverable resource of 9.8 Tcf (Low Estimate is 1.9 Tcf and High Estimate is 25.4 Tcf).
A 2C Contingent Resource of 11.5 Bcf (1C is 0.3 Bcf and 3C is 45.8 Bcf) for the Weaber Gas Field (RL1) has been assessed by an independent third party as a component of Advent's drive to commercialise its 100% owned onshore Bonaparte Basin assets. The development of the Kununurra region in northern Western Australia, including the Ord Irrigation Expansion Project and numerous resource projects, provides an l opportunity for Advent to potentially develop its nearby gas resources for the benefit of the region along with Advent and its shareholders.

ASX listed MEC Resources Limited ("MEC") has a 50% interest in Advent Energy Ltd.

The 2018 MEC half year financial report to 31 December 2017 released on 27 Feb 2018, confirmed that the MEC subsidiary Advent Energy had (spending) "commitments" "for its exploration permits of $4,497,500 over the next 12 months" to maintain tenure. In the 2017 MEC Annual Report an amount was confirmed of $2.5m of required permit compliance expenditures to retain EP386.

On 21 July 2017 MEC announced the withdrawal of its statutory demand against BPH prior to a settlement conference between MEC, BPH and GBA to seek a global resolution of the respective legal disputes.

On 1 September 2017 BPH received a writ from MEC Resources Ltd for an amount of $270,000 plus interest and costs and then received on 2 October 2017 an application for summary judgement in relation to this claim. The application by MEC for summary judgement was heard in December 2017 in the District Court of Western Australia.
The summary judgement application decision in the claim by MEC Resources Ltd for $270,000 plus interest and costs was handed down on 23 February 2018. The MEC application was dismissed by the court. BPH disputes the basis of the claim by MEC and its interest claims, and BPH asserts that there has not been an Event of Default and that the loan is not due and owing. BPH had previously advised the market on 4 July 2017 that it has a claim against MEC of $388,050 plus interest and costs and has advised it will continue to pursue this matter.
On 12 October 2017 MEC announced the appointment of a specialist firm to assist in finding joint venture partners for 3D seismic for PEP11.

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No announcement on any partner from this appointment has been made to date.

On 5 December 2017 MEC announced a conditional farmin with RL Energy Ltd, a company controlled by Greg Channon, who until immediately prior to the announcement was a director of Advent Energy. On 8 January 2018 MEC announced that an extension of the PEP11 permit had been granted until 2021.The drilling of a well in PEP11 is a confirmed year 4 minimum commitment as set out in that announcement with this program to be completed by 12 February 2020 prior to a 3D seismic survey of 500 sq km .

A further announcement on 8 January 2018 confirmed Advent was planning the plug and abandonment of the three Bonaparte Basin wells Waggon Creek, Vienta and Weaber in the 2018 dry season. This has not occurred. In the MEC prospectus lodged with ASIC on 16 May 2018 it was advised that a well management plan, environmental plan and safety case must be submitted to the DMIRS by 28 September 2018 for the decommissioning of Waggon Creek-1 and Vienta -1 wells.

On 15 February 2018 MEC was placed in a trading halt after the ASX had asked a series of questions by letters dated 31 January 2018 and 9 February 2018. MEC confirmed in a letter dated 14 February 2018 and released on 15 February 2018 in relation to RL Energy that "there can be no certainty that the provision of funding to finalise the phase 2 3D seismic works will be finalised" (page 2) and "in respect of the 3D seismic works...the second phase "(the 3D seismic works) "will be subject to RL Energy securing funding at the relevant time "(page 1).
On 19 Feb 2018 MEC announced that the 3D farmin transaction with RL Energy, a company controlled by previous Advent Director Greg Channon's family company, would need MEC shareholder approval under ASX Listing Rule 10. Mr Channon's company would, under the proposed agreement, earn an unspecified percentage interest in the PEP11 permit by funding the 3D project only up to a maximum of $4m. MEC has previously estimated the cost of this 500 sq km of 3D at least up to $8m.

On 23 February 2018 MEC announced that the 2D seismic survey in PEP11, at the Baleen drill prospect, was now planned for April 2018.

On 28 March 2018 BPH announced it had served Notices of Demand on MEC Resources and Advent

Energy for outstanding loans of $225,486 and $164,744 respectively and on 4 April 2018 writs were issued against MEC and Advent for these amounts. The total amounts claimed against MEC and its subsidiaries by both BPH and GBA is $820,661. A statement of claim in the District Court of Western Australia in this matter was lodged on 6 June 2018. The information in this section contains material extracted from MEC Resources Limited, the major shareholder in Advent.

(i) PEP 11

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

PEP11 holds significant structural targets potentially capable of comprising multi-Tcf natural gas resources. The offshore Sydney Basin has been lightly explored to date, including a multi-vintage 2D seismic data coverage and a single exploration well, New Seaclem-1 (2010). Its position as the only petroleum title offshore New South Wales provides a significant opportunity should natural gas be discovered in commercial quantities in this petroleum title. It lies adjacent to the Sydney-Newcastle region and the existing natural gas network servicing the east coast gas market.
On 24 November 2017 the Advent AGM presentation 'Strategic Summary: Tactics to Success 'confirmed the strategy of "Complete current 2D seismic commitment to deliver shallow hazard survey work ...to deliver 'drill ready' gas prospect and actively pursue farm-out for early drilling, capturing near-term rig availability off Australia's coast."

On 10 January 2018 MEC announced the acceptance by NOPSEMA of the Baleen 2D High Resolution Seismic Plan. This approval process took approximately 7 months for a seismic program with a primary survey area of just 9 square km.

The proposed PEP11 3D seismic program is for an area of 500 sq km (Refer 8th Jan 2018). The anticipated operational area for a seismic survey of 500 sq km is 2500 sq km. The whale migration period offshore NSW is between May to November which will exclude seismic operations during this time.

In April 2018 Advent undertook a high resolution 2D seismic data over the Baleen prospect designed to evaluate (amongst other things) shallow geohazard indications including shallow gas accumulations that can affect future potential drilling operations. On the 19 April 2018 it was announced that processing of this 2D data would take approximately 2 months. No announcement about the processing has been made to date.

It is a drilling prerequisite that a site survey is made prior to drilling at the Baleen location.

(ii) EP386 and RL1

EP386 and RL1 are held by Advent's 100% subsidiary Onshore Energy Pty Ltd ("Onshore"). The petroleum titles lie in the onshore Bonaparte Basin, one of Australia's most prolific hydrocarbon producing basins. The petroleum wells Waggon Creek-1, Vienta-1 (EP386) and Weaber-4 (RL1) are cased and suspended.

On 29 March 2018 an Instrument of Direction was issued by the WA Department of Mines under S.95(1) of the Petroleum and Geothermal Energy resources Act 1967 to Onshore. The Instrument of Direction is available on the WA Govt. website and relates to Waggon Creek and Vienta wells in EP386 in the onshore Bonaparte Basin in WA. The Instrument of Direction to plug and abandon the wells must be completed by March 2020. The wet season means this work must be completed during mid-year 2019.

On 3 April 2018 MEC announced a two-year extension to the EP386 permit to enable this work to be completed.

INVESTMENT IN BIOTECHNOLOGY COMPANIES

BPH Energy's existing Biotechnology investments include its 4.47% interest in Cortical Dynamics Limited and its 20% interest in Molecular Discovery Systems Limited. BPH also has a right to convert debt and increase its shareholding in Cortical which may take BPH to approximately 15.7% by a conversion of its loan facilities. Conversion of portion of the debt is subject to a listing of Cortical on the Australian Securities Exchange.

Cortical Dynamics Limited (BPH 4.47%):

Cortical Dynamics Limited ("Cortical") is working

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

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

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

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

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

Cortical Chairman, Mr David Breeze, presented Cortical's Brain Function Monitor and met with four of the leading Korean teaching and research hospitals, all of whom expressed interest in using the technology when it became available in Korea. Having achieved Therapeutic Goods Administration ("TGA") certification and the CE Mark, Cortical is now able to market the BAR monitor within Australia and Europe, one of the worlds' largest EEG brain function monitoring equipment markets. Cortical has signed an initial agreement in Australia and is now negotiating its first distribution agreement for Europe and is receiving distribution enquiries from other international centres.

The BAR monitor is designed to assist anaesthetists and intensive care staff in ensuring patients do not wake unexpectedly, as well as reducing the incidence of side effects associated with the anaesthetic.
During the reporting period Cortical issued 2,240,000 fully paid ordinary at an issue price of $0.10 per share to fund its ongoing activities.

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

- On 18 October 2017 BPH confirmed a European trial with Hôpital Foch in Paris, France. The arrangement with Hôpital Foch was the second installation of the BAR Monitor technology internationally (after New Zealand) and the first for Cortical in Europe.

- On 14 November 2017 BPH advised of the appointment of Reno Wright Smith & Partners ("RWS") to undertake marketing activities to assist Cortical to enter the European market with the Brain Anaesthesia Response ("BAR") monitor technology. RWS, based in Chicago, Illinois, are specialists in commercialisation for early stage medical technologies. The RWS President, David Smith, has a background in medical device marketing & general management for 25+ years including with Coopervision, Carl Zeiss, Biocompatibles International plc, Cohesion Technologies, Tenaxis Medical Inc & Device Technologies Australia

- On 20 November 2017 BPH advised of the appointment of Dr Bruce Whan as Corporate Development Director to assist to further the development of Cortical. Bruce Whan has a background in industry covering a range of research, operations and management positions, including the management of innovation and commercialisation of R&D, from the public research sector. He was Director of Swinburne University of Technology's commercialisation unit for 12 years and a member of the Commercialisation Australia board.

- On 13 December 2017 BPH confirmed the European Patent Office had granted a further patent titled, 'EEG Analysis System'.
- On 14 December 2017 BPH advised that the Cortical BAR Monitor was being used in evaluation trials in a further major hospital in Melbourne. This is the second installation of the BAR Monitor technology in Melbourne, with further units being evaluated in Queensland, and internationally in New Zealand and Europe.

- On 22 December 2017 BPH advised that investee Cortical was to be further evaluated in a Sydney hospital in 2018. These trials introduce the BAR Monitor to several anaesthetists to assess its function, which in turns assists Cortical to better understand how best to address the needs of the market, underpinning its marketing campaign.

- On 16 January 2018 BPH advised that the Cortical BAR Monitor was being used in a set of evaluation trials in a further Melbourne hospital.

- On 19 April BPH advised that Cortical had signed an agreement for the distribution of its BAR Monitor in South Korea. The distribution agreement arose because of an invitation by Austrade to attend and present at the Austrade Korean Medtech Innovation Showcase.

- On 29 April BPH advised that Cortical had signed its first European Distribution agreement covering the BARM for the Benelux Countries of Belgium, Netherlands and Luxembourg. Cortical will initially focus on the Total Intravenous Anaesthesia ("TIVA") market within Europe. TIVA provides a method of inducing and maintaining general anaesthesia intravenously without the use of any inhalation agents.

Molecular Discover Systems Ltd (BPH 20%)

Molecular Discover Systems Ltd ("MDSystems") has been working with the Molecular Cancer Research Group at the Harry Perkins Institute of Medical Research to validate HLS5 as a novel tumour suppressor gene, particularly for liver cancer. The researchers at the Perkins Institute originally identified HLS5 (TRIM35) as a tumour suppressor associated with leukemia. However, in a separate study conducted in China, low levels of HLS5 (TRIM35) was found to correlate with human liver cancer development, and that reduced HLS5 (TRIM35) expression could potentially be used as prognostic marker for the disease.

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

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

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

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

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

DIRECTOR'S REPORT

BPH ENERGY LIMITED
AND IT'S CONTROLLED ENTITIES

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 2018.

Directors

The names of directors in office at any time during or since the end of the year are:
D L Breeze
A Huston
C Maling (appointed 17 October 2017)
T Fontaine (resigned 17 October 2017)

Company Secretary

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

Principal Activities

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

Operating Results

The consolidated entity has reported a net loss after tax for the year ended 30 June 2018 of $1,506,758 (2017: loss of $2,544,301) and has a net cash outflow from operating activities of $488,222 (2017: outflow of $517,680). The loss for the period is after recognising (i) an impairment charge relating to an associate, Advent Energy Limited, of $1,003,001 (2017: $Nil) (ii) a fair value loss relating to an associate, Advent Energy Limited, of $Nil (2017: loss $1,308,563) (iii) consulting and legal expenses of $311,680 (2017: $285,065).

Dividends

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

Financial Position

The consolidated entity has reported a net loss after tax for the year ended 30 June 2018 of $1,506,758 (2017: loss of $2,544,301) and has a net cash outflow from operating activities of $488,222 (2017: outflow of $517,680). The net assets of the consolidated entity decreased by $824,514 to $3,561,815 at 30 June 2018.

The consolidated entity has a working capital deficit of $1,101,201 as at 30 June 2018 (30 June 2017: deficit of $1,084,626) which includes cash assets of $447,214 (30 June 2017: $613,658) and trade creditors and other payables of $1,323,541 (30 June 2017: $1,284,910).

Included in trade creditors and payables is director fee accruals of $765,027. The directors have reviewed their expenditure and commitments for the consolidated entity and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources.

Review of Operations

A Review of Operations is set out on pages 7 to 11 and forms part of this Directors' Report.

Significant Changes in State of Affairs

Capital raisings
On 23 November 2017 BPH announced a one for one non-renounceable entitlement issue at an issue price of $0.002 per share to raise up to approximately $1,177,404. The issue closed in January 2018 with 366,485,400 shares being issued for $566,940 in cash and $166,030 of debt extinguishment.

On 19 April 2018 BPH issued 11,000,000 shares in lieu of cash payment for $22,000 consulting fees.

Subsequent Events

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

Environmental Issues

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

Non-Audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2018 (2017: $Nil).

Future Developments

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

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

INFORMATION ON DIRECTORS

D L Breeze

Managing Director and Executive Chairman – Age 65
Shares held – 155,338,972
Unlisted options held – Nil

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

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

- Grandbridge Limited (from December 1999 to present)
- MEC Resources Limited (from April 2005) *

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

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

A Huston

Non-Executive Director – Age 63
Shares held – Nil
Unlisted options held – 2,000,000

Tony Huston has been involved for over 35 years in engineering and hydrocarbon industries for both on and off shore exploration/development. Early career experience commenced with Fitzroy Engineering Ltd, primarily working on development of onshore oil fields. In 1996 Tony formed his own E&P Company on re-entry of onshore wells, primarily targeting shallow pay that had been passed or ignored from previous operations. This was successful, and the two plays opened up 15 years ago are still in operation. Recent focus (10 years) has been to utilise new technology for enhanced resource recovery and has been demonstrated in various fields, including US, Mexico, Oman, Italy and Turkmenistan. During the last 3 years Tony has not held any other listed company directorships.

C Maling

Non-Executive Director – Age 64
(appointed 17 October 2017)
Shares held – 22,268
Unlisted options held – 2,000,000

DIRECTOR'S REPORT BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

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

In the past three years Charles has held the following listed company directorships:

- Grandbridge Limited (November 2016 to present)

T Fontaine

Non-Executive Director – Age 54
(resigned 17 October 2017)
Shares held – 8,768,892
Unlisted options held – 2,000,000

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

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

Remuneration Report (Audited)

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

Key Management Personnel

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

D L Breeze	Executive Chairman, Managing Director and Company Secretary
A Huston	Non Executive Director
C Maling	Non Executive Director (appointed 17 October 2017)
T Fontaine	Non Executive Director (resigned 17 October 2017)

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

Remuneration Policy

The remuneration policy of BPH Energy Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives as determined by the board and/or shareholders. The remuneration report as contained in the 2017 financial accounts was not adopted at the Company's 2017 Annual General Meeting. Should at least 25% of the votes be cast against the resolution to adopt this remuneration report at the Company's November 2018 Annual General Meeting a "Spill Resolution" will be held at that Annual General Meeting. If put, the Spill Resolution will be considered as an ordinary resolution. If the Spill Resolution is passed then it will be necessary for the Board to convene a further general meeting of Shareholders (Spill Meeting) within 90 days of this Annual General Meeting in order to consider the composition of the Board. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

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

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

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

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

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.

DIRECTOR'S REPORT BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

Details of Remuneration for the year ended 30 June 2018

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

2018

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

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

2017

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

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

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

Option holdings

	Balance 1.7.2017 or date of appointment	Granted as Compensation	Options Exercised	Balance 30.6.2018 or date of resignation	Total Vested 30.6.2017 or date of resignation	Total Exercisable and Vested 30.6.2018	Total Unexercisable 30.6.2018
D L Breeze	-	-	-	-	-	-	-
T Fontaine	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
A Huston	-	2,000,000	-	2,000,000	2,000,000	2,000,000	-
C Maling	-	2,000,000	-	2,000,000	2,000,000	2,000,000	-

Shareholdings

	Balance 1.7.2017 or date of appointment	Received as Compensation	Options Exercised	Acquired	Balance 30.6.2018 or date of resignation
D L Breeze	77,669,486	-	-	77,669,486	155,338,972
T Fontaine	4,384,446	-	-	4,384,446	8,768,892
A Huston	-	-	-	-	-
C Maling	11,134	-	-	11,134	22,268

SHARE BASED PAYMENTS:

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

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

There are no further service or performance criteria that need to be met in relation to options granted.
The following grants of share based payment compensation to directors and senior management relate to the current financial year:

Name	Option Series	No. Granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
A Huston	29 November 2017	2,000,000	2,000,000	100%	-	2.8%
C Maling	29 November 2017	2,000,000	2,000,000	100%	-	3.9%

No options lapsed or were exercised during the current or previous financial years.

MEETINGS OF DIRECTORS

The board consults regularly by phone on matters relating to the Company's operations. Resolutions are passed by circulatory resolution. The Company held two meetings of directors during the financial year. Attendance by each director during the year were:

Name	Number eligible to attend	Number attended
D Breeze	2	2
A Huston	2	2
C Maling	1	1
T Fontaine	1	1

INDEMNIFYING OFFICERS OR AUDITORS

During or since the end of the financial year the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:
The Company has paid premiums to insure directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was $15,995. The Company has not indemnified the current or former auditor of the Company.

OPTIONS

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

Grant Date	Date of Expiry	Exercise Price	Number Under Option
2 April 2015	31 March 2020	$0.02	795,000
20 April 2015	31 March 2020	$0.02	9,000,000
27 November 2015	30 November 2020	$0.02	2,000,000
23 November 2016	30 November 2021	$0.02	2,000,000
29 November 2017	30 November 2022	$0.02	4,000,000

During the year ended 30 June 2018 no ordinary shares of BPH Energy Ltd were issued on the exercise of options granted under the BPH Energy Ltd Incentive Option Scheme (2017: Nil). No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate. No shares or interest have been issued during or since the end of the financial year as a result of exercise of an option.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 19. The directors' report is signed in accordance with a resolution of directors made pursuant to S298(2) of the Corporations Act 2001.

D. Breeze

David Breeze
Dated this 28 September 2018

AUDITOR'S INDEPENDENCE DECLARATION

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia	**B G McVeigh**
28 September 2018	**Partner**

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

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CORPORATE GOVERNANCE

BPH ENERGY LIMITED
AND IT'S CONTROLLED ENTITIES

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 2018*

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

		Consolidated	
	Note	**2018 $**	**2017 $**
Revenue from ordinary activities	2	235,824	216,925
Other income	2	3,720	-
Share of associates' loss	12	(28,500)	(90,355)
Impairment charge	3	(1,003,001)	(72,454)
Fair value loss	3	-	(1,308,563)
Write back of loan	2	-	61,312
Interest expense		(1,805)	(28,726)
Administration expenses		(65,591)	(191,584)
Provision against loans		(77,155)	(551,167)
Consulting and legal expenses		(311,680)	(285,065)
Depreciation	3	-	(22)
Employee expenses	3	(101,608)	(128,931)
Insurance expenses		(17,960)	(18,593)
Service Fees		(128,640)	(140,335)
Other expenses		(10,362)	(6,743)
Loss before income tax		(1,506,758)	(2,544,301)
Income tax expense	13	-	-
Loss for the year		(1,506,758)	(2,544,301)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit and loss			
Reclassification of revaluation reserve (net of tax)	3	-	(15,015,000)
Other comprehensive loss (net of tax)		-	(15,015,000)
Total comprehensive loss for the period		(1,506,758)	(17,559,301)
Loss attributable to non-controlling interests		(918)	(35,655)
Loss attributable to members of the parent entity		(1,508,758)	(2,508,646)
Total comprehensive loss attributable to owners of the Company		(1,508,840)	(17,523,646)
Total comprehensive loss attributable to non-controlling interests		(918)	(35,655)
Earnings per share	6	(0.20)	(0.59)
Basic and diluted loss per share (cents per share)			

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

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

	Note	Consolidated 2018 $	2017 $
Current Assets			
Cash and cash equivalents	7	447,214	613,658
Trade and other receivables	8	19,658	25,059
Financial assets	10	165,058	165,058
Other current assets	9	4,051	17,960
Total Current Assets		**635,981**	**821,735**
Non-Current Assets			
Financial assets	10	4,284,920	5,064,359
Investments in associates	12	464,547	493,047
Total Non-Current Assets		**4,749,467**	**5,557,406**
Total Assets		**5,385,448**	**6,379,141**
Current Liabilities			
Trade and other payables	14	1,323,541	1,284,910
Financial liabilities	15	413,641	621,451
Total Current Liabilities		**1,737,182**	**1,906,361**
Non-Current Liabilities			
Financial liabilities	15	86,451	86,451
Total Non-Current Liabilities		**86,451**	**86,451**
Total Liabilities		**1,823,633**	**1,992,812**
Net Assets		**3,561,815**	**4,386,329**
Equity			
Issued capital	16	44,135,442	43,454,632
Reserves	17	494,014	492,580
Accumulated losses		(40,908,066)	(39,402,226)
Non-controlling interest		(159,575)	(158,657)
Total Equity		**3,561,815**	**4,386,329**

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 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

	Ordinary Share Capital $	Accumulated Losses	Option reserve $	Revaluation Reserve $	Total attributable to owners of the parent entity $	Non-controlling Interest $	Total $
Balance as at 30 June 2016	41,828,904	(36,893,580)	486,707	15,015,000	20,437,031	(123,002)	20,314,029
Loss for the period	-	(2,508,646)	-	-	(2,508,646)	(35,655)	(2,544,301)
Other comprehensive loss (net of tax)	-	-	-	(15,015,000)	(15,015,000)	-	(15,015,000)
Total comprehensive loss for the year	-	(2,508,646)	-	(15,015,000)	(17,523,646)	(35,655)	(17,559,301)
Transactions with owners in their capacity as owners							
Shares issued for cash	1,356,462	-	-	-	1,356,462	-	1,356,462
Share issue costs	(112,772)	-	-	-	(112,772)	-	(112,772)
Shares issued in lieu of consulting fees	87,000	-	-	-	87,000	-	87,000
Shares issued as set-off against loans payable	295,038	-	-	-	295,038	-	295,038
Share based payments expense	-	-	5,873	-	5,873	-	5,873
Balance at 30 June 2017	43,454,632	(39,402,226)	492,580	-	4,544,986	(158,657)	4,386,329
Loss for the period	-	(1,505,840)	-	-	(1,505,840)	(918)	(1,506,758)
Total comprehensive loss for the year	-	(1,505,840)	-	-	(1,505,840)	(918)	(1,506,758)
Transactions with owners in their capacity as owners							
Shares issued for cash	566,940	-	-	-	566,940	-	566,940
Share issue costs	(74,161)	-	-	-	(74,161)	-	(74,161)
Shares issued in lieu of consulting fees	22,000	-	-	-	22,000	-	22,000
Shares issued as set-off against loans payable	166,031	-	-	-	166,031	-	166,031
Share based payments expense	-	-	1,434	-	1,434	-	1,434
Balance at 30 June 2018	44,135,442	(40,908,066)	494,014	-	3,721,390	(159,575)	3,561,815

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 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

	Note	Consolidated 2018 $	2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(467,999)	(519,206)
Interest received		2,836	3,706
Interest paid		(1,805)	(2,180)
Net cash used in operating activities	19	(466,968)	(517,680)
Cash flows from investing activities			
Loans to related parties		(68,000)	(4,000)
Investment in unlisted entity		-	(100,000)
Net cash used in investing activities		(68,000)	(104,000)
Cash flows from financing activities			
Proceeds from issue of securities (net of share issue costs)		492,778	1,243,690
Repayment of borrowings	19	(124,254)	(120,000)
Net cash provided by financing activities		368,524	1,123,690
Net (decrease) / increase in cash held		(166,444)	502,010
Cash and cash equivalents at the beginning of the financial year		613,658	111,648
Cash and cash equivalents at the end of the financial year	7	447,214	613,658

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 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

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 28 September 2018 by the board of directors.

Basis of Preparation

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

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

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

Financial Position

The consolidated entity has reported a net loss after tax for the year ended 30 June 2018 of $1,506,758 (2017: loss of $2,544,301) and has a net cash outflow from operating activities of $488,222 (2017: outflow of $517,680). The net assets of the consolidated entity decreased by $824,514 to $3,561,815 at 30 June 2018. The consolidated entity has a working capital deficit of $1,101,201 as at 30 June 2018 (30 June 2017: deficit of $1,084,626) which includes cash assets of $447,214 (30 June 2017: $613,658) and trade creditors and other payables of $1,323,541 (30 June 2017: $1,284,910).

Included in trade creditors and payables is director fee accruals of $765,027. The directors have reviewed their expenditure and commitments for the consolidated entity and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

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

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

Compliance with IFRS

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

Accounting Policies

(a) Principles of Consolidation

(i) Subsidiaries

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

A list of controlled entities is contained in Note 18 to the financial statements. All controlled entities have a June financial year-end.

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The acquisition method of accounting is used to account for business combinations by the Group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

(c) Property, Plant & Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

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

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

Depreciation

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

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

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

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

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

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

(d) Financial Instruments

Recognition and Initial Measurement

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

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

Derecognition

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

Classification and Subsequent Measurement

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and valuation models using non-market inputs prepared by independent experts.

Impairment

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

Assets carried at amortised cost

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

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

Assets classified as available-for-sale

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

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

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

(e) Impairment of Assets

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

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

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

(f) Investments in Associates

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

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

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.
The consolidated entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the a consolidated entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the consolidated entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gains or loss on disposal of the associate or joint venture. In addition, the consolidated

entity accounts for all amounts previously recognised other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the consolidated entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

(g) Intangibles

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

Patents and Trademarks

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

(h) Employee Benefits

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

(i) Provisions

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

(j) Cash and Cash Equivalents

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

(k) Revenue and Other Income

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

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

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

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Trade and other payables

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

(n) Share based payments

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

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

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

(o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, the directors (see Note 26).

(p) Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

(q) Critical accounting estimates and judgments

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

Key judgements — Provision for Impairment of loan receivables

Included in the accounts of the consolidated entity are secured and unsecured loan receivables of $2,295,029 (2017: $2,071,467). The Company raised a provision against its unsecured loans of $77,155 in the reporting period (2017: $551,167). This provision can be reversed upon payment of the loans.

Key judgements — Investment in Advent Energy Ltd ("Advent")

As of 1 January 2017 a judgement was made that, despite owning 27% of Advent, the Company no longer exercised significant influence over Advent and it ceased to be treated as an associate entity from that date. In particular, the Company was not involved in the operational decision making of Advent and did not have access to its operational and financial records. The Company currently has a 24% direct interest in Advent.

An impairment charge of $1,003,001 has been recognised against this investment in respect of the current reporting period based on Advent's most recent capital raising at $0.05 per share. The discontinuation of equity accounting for this associate triggered a re-assessment of the fair value of the investment in Advent resulting in an impairment charge of $1,308,563 in the prior year.

Key estimates - Investment in Molecular Discovery Systems

The recoverable amount of the investment in Molecular Discovery Systems Limited is considered greater than the carrying amount of the investment and hence no impairment loss was recognised, refer to Note 12.

Key estimates - Investment in Cortical

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

(r) Application of New and Revised Accounting Standards

Standards and Interpretations applicable to 30 June 2018

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been publishes that are not mandatory for 30 June 2018 reporting periods. Those which may have a significant to the Group are set out below. The Group does not plan to adopt these standards early.
AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).
AASB 9 (2014), published in December 2014, replaces the existing guidance AASB 9 (2009), AASB 9 (2010) and AASB 139 Financial Instruments: Recognition and Measurement and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The new standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment. The standard eliminates the existing 139 categories of held to maturity, loans and receivables and available for sale. The Group has financial assets in relation to available-for-sale equity investments of $2,154,949. Under AASB 9, the Group is able to elect to continue classify these investments as at fair value through other comprehensive income. Accordingly, the Group does not expect any impact to the classification and measurement of these financial assets. However, gains or losses realised on the sale of the financial assets at fair value through other comprehensive income will no longer be transferred to profit or loss but instead be reclassified below the line from the fair value reserve to retained earnings. During the current financial year such gains of $Nil were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

The impairment requirements of the new standard for financial assets are based on a forward looking 'expected credit loss' (ECL) model either on a 12-month or lifetime basis rather than the current 'incurred loss' model. The new impairment model will apply to financial assets at amortised cost or fair value through other comprehensive income, except for investments in equity instruments, and to contract assets. The Group has assessed these changes and determined that based on the current financial assets held at reporting date, the Group will apply the simplified approach and record impairment based on lifetime expected losses.

The changes in the Group's accounting policies from the adoption of AASB 9 will be applied retrospectively from 1 July 2018 onwards, with the practical expedients permitted under the standard and the comparatives will not be restated.

The directors do not anticipate that the adoption of AASB 9 will have a material impact on the Group's financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

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

Based on a preliminary assessment performed, the effects of AASB 15 are not expected to have a material effect on the Group.

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

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

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

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The directors do not anticipate that the adoption of AASB 16 will have a material effect on the Group.

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

	Consolidated 2018 $	Consolidated 2017 $

2. Revenue

Revenue

	2018 $	2017 $
Interest revenue: other entities	233,455	213,219
Interest revenue : cash accounts	2,369	3,706
	235,824	216,925
Other Income		
Loan establishment fees	3,720	-
	3,720	-
Write back of loan		
Write back of loan no longer payable	-	61,312
	-	61,312

3. Expenses Included in Loss for the Year

	2018 $	2017 $
Depreciation	-	22
Employee Costs		
- Director fees	100,000	123,058
- Other	174	-
- Share based payments other than directors	-	193
- Share based payments to directors	1,434	5,680
Total employee costs	101,608	128,931
Impairment charge		
Investment in unlisted entity – Advent	1,003,000	-
Intangibles	-	72,454
	1,003,000	72,454
Fair value loss	-	16,323,563
Fair value loss on reclassification of associate	-	(15,015,000)
Reclassification of revaluation reserve in relation to associate	-	1,308,563

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 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

4. Key Management Personnel Compensation

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

D L Breeze - Executive Chairman, Managing Director and Company Director
C Maling - Non Executive Director (appointed 17 October 2017)
A Huston - Non Executive Director
T Fontaine – Non Executive Director (resigned 17 October 2017)

	Consolidated	
	2018 $	**2017 $**
Short term employee benefits	100,000	123,052
Consulting fee	98,000	98,000
Share based payments	1,434	5,680
	199,434	226,732

Included in trade and other payables is current and former director and consulting fee accruals of $1,265,496 (30 June 2017: $1,220,767).

Director	Amount owing 30 June 2018 $
David Breeze	721,979
Charles Maling	17,637
Tony Huston	25,411
Directors who have previously resigned	500,469
Balance owing at 30 June 2018	1,265,496

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

	Consolidated	
	2018 $	**2017 $**
5. Auditors' Remuneration		
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report		
HLB Mann Judd	25,161	24,000
	25,161	24,000

	Consolidated 2018 $	2017 $
6. Earnings per Share		
Total loss per share attributable to ordinary equity holders of the Company	(1,505,840)	(2,508,646)
Loss used in the calculation of basic loss per share and diluted loss per share	(1,505,840)	(2,508,646)
For basic and diluted loss per share (cents per share)		
From continuing operations	(0.20)	(0.59)
Total basic loss per share and diluted loss per share	(0.20)	(0.59)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS	742,486,388	426,024,411

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

	Consolidated 2018 $	2017 $
7. Cash and Cash Equivalents		
Cash at Bank and in hand	447,214	613,658
	447,214	613,658
Cash at bank earns interest at floating rates based on daily bank deposit rates		
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	447,214	613,658
8. Trade and other Receivables		
Current		
Other receivables	19,658	25,059
	19,638	25,059
9. Other Assets		
Current		
Prepaid insurance	4,051	17,960
	4,051	17,960

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	Consolidated 2018 $	2017 $
10. Financial Assets		
Current		
Unsecured loans to other entities:		
MEC Resources Ltd	2,494	2,494
Advent Energy Ltd	162,564	162,564
	165,058	165,058
Non - current		
Secured Loans to other entities: (a)		
Cortical Dynamics Limited ("Cortical")	2,129,971	1,906,409
Molecular Discovery Systems Limited ("MDS")	-	-
Available for sale financial assets at fair value:		
Investments in unlisted entities - Cortical Dynamics Limited	148,949	148,949
Investments in unlisted entities – Advent Energy Ltd (b)	2,006,000	3,009,001
	4,284,920	5,064,359
Loan receivables are stated net of the following provisions:		
Cortical Dynamics Limited ("Cortical")	2,624,141	2,400,579
Gross receivable	(494,170)	(494.170)
Less provision	2,129,971	1,906,409
Molecular Discovery Systems Limited ("MDS")		
Gross receivable	1,218,522	1,141.367
Less provision	(1,218,522)	(1,141,367)
	-	-

(a) Secured loans

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

The Company has a convertible loan agreement with MDS at an interest rate of 7.69% per annum. The loan is for a maximum amount of $500,000 and is to be used for short term working capital requirements. Subject to MDS being admitted to the Official List of ASX ("Official List"), BPH Energy has a right of conversion to satisfy the debt on or before the termination date, being 26 November 2019. As at reporting date the loan had been drawn down by an amount of $596,322, including capitalised interest (2017: $547,167). Interest charged on the loan for the period was $49,155 (2017: $45,166. The loan is fully provided for at period end.

The Company has two convertible loan agreements with Cortical. One loan is for a maximum amount of $500,000 at an interest rate of 8.16% per annum and is to be used for short term working capital requirements. Subject to Cortical being admitted to the Official List BPH Energy has a right of conversion to satisfy the debt on or before the termination date, being 19 November 2019. As at reporting date the loan had been drawn down by an amount of $639,751, including capitalised interest (2017: $584,411). Interest charged on the loan for the period was $55,340 (2017: $50,850).

On 28th February 2012 BPH Energy entered into a second convertible loan agreement with Cortical. The facility is for an amount of $1,000,000 at an interest rate of 9.4% per annum and has an annual interest rate of 9.40%. The loan will be used for short term working capital requirements and funding further development of the BAR monitor. BPH Energy has a right of conversion to satisfy the debt on or before the termination date, being 28 February 2020. As at reporting date the loan had been drawn down by an amount of $1,450,707, including capitalised interest (2017: $1,322,078). Interest charged on the loan for the period was $183,559 (2017: $117,201).

An additional amount of $40,000 was lent to Cortical as at 30 June 2018 secured against Cortical's estimated research and development grant tax refund for the year ended 30 June 2018.

(b) As of 1 January 2017 a judgement was made that, despite owning 27% of Advent, the Company no longer exercised significant influence over Advent and it ceased to be treated as an associate entity from that date. In particular, the Company was not involved in the operational decision making of Advent and did not have access to its operational and financial records. The Company currently has a 24% direct interest in Advent. The discontinuation of equity accounting for this associate triggered a re-assessment of the fair value of the investment in Advent resulting in an impairment charge of $1,308,563 in the prior year. An impairment charge of $1,003,001 has been recognised against this investment in respect of the current reporting period based on Advent's most recent capital raising at $0.05 per share (refer Note 21(c)).

Advent and its subsidiaries have reported no minimum work commitments for its exploration permits over the next 12 months from its reporting date under the terms of its petroleum titles in order to maintain tenure. It has reported work program commitments of $18,225,000 for its exploration permits in a period greater than one year and less than five years. To assist in meeting these commitments, both MEC and Advent have stated they are continually seeking and reviewing potential sources of both equity and debt funding. Advent has stated it is now embarking on a campaign to attract new investors and /or joint venture partners. Its management has confidence that a suitable outcome will be achieved however there is no certainty at that this will result in further funding being made available.

In relation to the Group's exploration commitments in the PEP 11 area Advent's wholly owned subsidiary, Asset Energy Pty Ltd has a commitment to drill an exploration well by 12 Feb 2020. Advent have reported a conditional farm-in agreement with RL Energy for 3D which requires a change in the permit commitment and which is subject to both funding and regulatory approval by the National Offshore Petroleum Titles Administrator ("NOPTA").

On 29 March 2018 an Instrument of Direction was issued by the WA Department of Mines under S.95 (1) of the Petroleum and Geothermal Energy resources Act 1967 to Onshore. The Instrument of Direction is available on the WA Govt. website and relates to Waggon Creek and Vienta wells in EP386 in the onshore Bonaparte Basin in WA. The Instrument of Direction to plug and abandon the wells must be completed by March 2020. Advent has commitments to provide a well management plan, environmental plan and safety case for the decommissioning of Waggon Creek and Vienta by 28 September 2018.

The RL Energy application in PEP11 and those made by Advent for EP386 may not be approved. In addition, Advent is committed to drill an exploration well and perform a seismic survey by the end of March 2020 for EP 386. Asset Energy Pty Ltd has invested over $25 million in the PEP11 title in recent history, and, along with its JV partner Bounty Oil and Gas NL, is committed to continuing to explore for and ultimately exploit any

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petroleum accumulations which may be identified in this title area. Other projects may impact the ability of Advent to raise funds. The above conditions indicate the uncertainty that may affect the ability of the Group to realise the carrying value of its investment in Advent in the ordinary course of business. The valuation is dependent on approvals for variations and extension to work programs being approved by government.

	Consolidated	
	2018 **$**	**2017** **$**
11. Property, Plant and Equipment		
Plant and equipment		
At cost	41,486	41,486
Accumulated depreciation	(41,486)	(41,486)
Total Property, Plant and Equipment	-	-
(a) Movements in Carrying Amounts		
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:		
Balance at the beginning of the year	-	22
Depreciation expense	-	(22)
Carrying amount at the end of the year	-	-

12. Investment 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
		2018	**2017**	
Molecular Discovery Systems Limited	Australia	20%	20%	Biomedical Research

As of 1 January 2017 a judgement was made that, despite owning 27% of Advent, the Company no longer exercised significant influence over Advent and it ceased to be treated as an associate entity from that date. In particular, the Company was not involved in the operational decision making of Advent and did not have access to its operational and financial records. The Company currently has a 24% direct interest in Advent.

	Consolidated 2018 $	2017 $
12. Investment Accounted for using the Equity Method (cont'd)		
Shares in Associates		
Molecular Discovery Systems Limited	464,547	493,047
	464,547	493,047
(a) Movements in Carrying Amounts		
Movements in the carrying amounts between the beginning and the end of the current financial year:		
Balance at the beginning of the year	-	19,380,613
Transfer to financial assets	-	(19,332,564)
Share of associate loss for the year	-	(48,049)
Balance at end of the year	-	-
Molecular Discovery Systems Limited:		
Balance at the beginning of the year	493,047	535,353
Share of associate loss for the year	(28,500)	(42,306)
Balance at end of the year	464,547	493,047

Valuation processes

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

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

(b) Summarised financial information of associates

As of 1 January 2017 a judgement was made that, despite owning 27% of Advent, the Company no longer exercised significant influence over Advent and it ceased to be treated as an associate entity from that date. In particular, the Company was not involved in the operational decision making of Advent and did not have access to its operational and financial records. The Company currently has a 24% direct interest in Advent.

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

	Total of Associate							Reconciliation to the Carrying Amount				
	Current Assets	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Revenues**	**Loss for the Year**	**Total Comprehensive Loss for the Year**	**Share of Net Assets of Associate**	**Ownership Interest %**	**Goodwill**	**Other Adjustments**	**Carrying Amount of the Group's Interest**
2018												
Molecular Discovery Systems Ltd	1,529	107,785	873,406	605,786	-	(142,496)	(142,496)	(273,976)	20	1,487,291	(748,768)	464,547
	1,529	107,785	873,406	605,786	-	(142,496)	(142,496)	(273,976)	20	1,487,291	(748,768)	464,547
2017												
Molecular Discovery Systems Ltd	1,475	179,129	851,356	556,632	62	(211,527)	(211,527)	(245,476)	20	1,487,291	(748,768)	493,047
	1,475	179,129	851,356	556,632	62	(211,527)	(211,527)	(245,476)	20	1,487,291	(748,768)	493,047

	Consolidated	
	2018 $	2017 $
13. Income Tax Expenses		
(a) The prima facie tax on loss from operations before income tax is reconciled to the income tax as follows:		
Accounting loss before tax	(1,506,758)	(2,544,301)
Prima facie tax payable on loss from operations before income tax at 27.5% (2017: 27.5%)	(414,358)	(699,683)
Add tax effect of:		
Tax benefit of revenue losses and temporary differences not recognised	414,358	699,683
Income tax expense recognised	-	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	9,639,475	9,640,079
Potential tax benefit at 27.5% (2017: 27.5%)	2,650,856	2,651,022

14. Trade and Other Payables

Current		
Trade payables	29,305	33,823
Sundry payables and accrued expenses - unrelated	529,209	490,911
Related party payables	765,027	760,176
	1,323,541	1,284,910

Trade payables are non-interest bearing and normally settled within 60 days

15. Financial Liabilities

Current		
Borrowings – unsecured	413,641	621,451
	413,641	621,451
Non-Current		
Borrowings – unsecured	86,451	86,451
	86,451	86,451

Current borrowings are non-interest bearing Non-current borrowings will not be called upon for repayment until the Company is financially independent.

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	Consolidated 2018 $	Consolidated 2017 $
16. Issue Capital		
966,187,417 (2017: 588,702,017) fully paid ordinary shares	44,135,442	43,454,632

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

(a) Ordinary Shares

	Consolidated		Consolidated	
	2018 $	2017 $	2018 Number	2017 Number
At the beginning of reporting period	43,454,632	41,828,904	588,702,017	235,766,727
Shares issued for cash	566,940	1,425,462	283,469,930	277,390,265
Shares issued at closure of Share Purchase Plan	-	(69,000)	-	-
Share issue costs	(74,161)	(112,772)	-	-
Shares issued in lieu of consulting fees	22,000	87,000	11,000,000	16,537,290
Shares issued as set-off against loans payable and payables	166,031	295,038	83,015,470	59,007,735
At reporting date	44,135,442	43,454,632	966,187,417	588,702,017

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The market price of the Company's ordinary shares at 30 June 2018 was 0.1 cents per share.

(b) Options

Refer to Note 23 for options on issue at the end of the financial year.

There were no options exercised during the year (2017: Nil). The holders of options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

(c) Capital risk management

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

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

The working capital position of the Group at 30 June 2018 and 30 June 2017 are as follows:

	Consolidated	
	2018	**2017**
	$	**$**
Cash and cash equival Cash and cash equivalents ents	447,214	613,658
Other current assets	4,051	17,960
Trade receivables and financial assets	184,716	190,117
Trade payables and financial liabilities	(1,737,182)	(1,906,361)
Net working capital position	(1,101,201)	(1,084,626)

Refer to Note 1 for further details of the Group's financial position and plans to manage the working capital deficit at 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

	Consolidated 2018 $	Consolidated 2017 $
17. Reserves		
Options Reserve (a)	494,014	492,580
Asset Revaluation Reserve (b)	-	-
	494,014	492,580

(a) Option Reserve

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

	2018 $	2017 $
Opening balance	492,580	486,707
Share based payments	1,434	5,873
Closing balance	494,014	492,580

(b) Asset Revaluation Reserve

The asset revaluation reserve records the revaluation of available for sale investments to fair value.

	2018 $	2017 $
Opening balance	-	15,015,000
Fair value adjustment to reclassify associate to available for sale investm, investment	-	(15,015,000)
Closing balance	-	-

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

18. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest % 2018	Ownership Interest % 2017
Parent Entity BPH Energy Ltd	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 not disclosed in this note.

BPH owns 51.82% equity interest in Diagnostic Array Systems Pty Ltd ("DAS") and consequentially controls more than half of the voting power of those shares. Mr David Breeze is the Chairman of both entities. BPH therefore has control over the financial and operating policies of DAS. DAS is controlled by the Group and is consolidated in these financial statements. DAS's loss for the year was $1,908 (2017: loss of $74,003) of which $918 (2017: $35,655) was attributable to minority interests. DAS's total assets at year-end were $727 (2017: $1,004), total liabilities $364,281 (2017: $362,650), and net equity negative $363,554 (2017: negative $361,646).

19. Cash Flow Information

	Consolidated	
	2018	**2017**
	$	**$**
(a) Reconciliation of cash flow from operations with loss after income tax:		
Operating loss after income tax	(1,506,758)	(2,544,301)
Non-cash items:		
Depreciation and amortisation	-	22
Interest revenue on loans	(232,714)	(213,219)
Write back of loan	-	(61,312)
Fair value loss	-	1,308,563
Impairment charge	1,003,001	72,454
Share based payment expense	1,434	5,873
Provision against loans	77,155	551,167
Interest expense on loans	-	26,545
Share of Associates' losses	28,500	90,355
Shares issued in lieu of third party fees	22,000	87,000
Changes in net assets and liabilities,		
Decrease in other assets	13,909	6,457
Decrease / (increase) in trade and other receivables	5,401	(16,904)
Increase in trade payables and accruals	121,104	169,620
Net cash (used in) operating activities	(466,968)	(517,680)
(b) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	447,214	613,658
(c) Financing facilities		
Credit card limit:		
Cash and cash equivalents	20,000	20,000
(d) Changes in liabilities arising from financing activities – unsecured borrowings		
Balance at 1 July	707,902	
Net cash used in financing activities	(124,254)	
Shares issued as set off against loans payable	(83,556)	
Balance at 30 June	500,092	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

20. Subsequent Events

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

21. Financial Risk Management

a) Financial Risk Management

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

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

Interest rate risk

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

Liquidity risk

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

Credit risk

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

Equity price risk

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

Foreign currency risk

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

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:

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

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

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BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

Fair Values

The fair values of:

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

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

	Consolidated 2018		Consolidated 2017	
	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Financial Assets				
Available-for-sale financial assets	2,154,949	2,154,949	3,157,950	3,157,950
Loans and trade and other receivables	2,295,029	2,295,029	2,071,467	2,071,467
	4,449,978	4,449,978	5,229,417	5,229,417
Financial Liabilities				
Other loans and amounts due	500,092	500,092	707,902	707,902
Trade payables	1,323,541	1,323,541	1,284,910	1,284,910
	1,823,633	1,823,633	1,992,812	1,992,812

Sensitivity Analysis – Interest Rate Risk

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

	Consolidated	
	2018 $	2017 $
Change in loss		
Increase in interest rate 1%	4,472	5,341
Decrease in interest rate by 0.5%	(2,059)	(267)

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.

			Contractual cash flows			
30 June 2018	**Carrying amount $**	**Total $**	**2 mths or less $**	**2-12 mths $**	**1-2 years $**	**2-5 years $**
Financial liabilities						
Trade and other payables	1,323,541	1,323,541	29,305	1,294,236	-	-
Unsecured loans	500,092	500,092	-	413,641	86,451	-
	1,823,633	1,823,633	29,305	1,707,877	86,451	-

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

There were no transfers between the levels for recurring fair value measurements during the year.
Specific valuation techniques used to value financial instruments include:

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

30 June 2018	**$ Level 1**	**$ Level 2**	**$ Level 3**	**$ Total**
Available for sale financial assets				
- Investments in unlisted entities	-	2,006,000	148,949	2,154,949
Total	-	2,006,000	148,949	2,154,949

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

Reconciliation of fair value measurements of financial assets:

	2018 ($) Level 3	**2017 ($) Level 3**
Opening balance	148,949	48,949
Shares acquired during the year	-	100,000
Closing balance	148,949	148,949

	2018 ($) Level 3	**2017 ($) Level 3**
Opening balance	3,009,001	-
Transferred from equity accounted investments - Advent Energy Ltd	-	3,009,001
Impairment charge	(1,003,001)	-
Closing balance	2,006,000	3,009,001

An impairment charge of $1,003,001 has been recognised against this investment in respect of the current reporting period based on Advent's most recent capital raising at $0.05 per share.

22. Related Party Transactions

(a) Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 18 to the financial statements.

(b) Directors' remuneration

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

(c) Directors' equity holdings	**Parent**	
	2018 Number	**2017 Number**
Held as at the date of this report by directors and their director-related entities in BPH Energy Limited	155,361,240	83,015,470
Ordinary Shares	155,361,240	83,015,470
Share options	4,000,000	2,000,000

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

(d) Directors

The Company has an agreement with Trandcorp Pty Limited on normal commercial terms procuring the services of David Breeze to provide product development services for $98,000 (2017: $98,000).

(e) Director related entities

Grandbridge Limited ("Grandbridge") has a common Managing Director, Mr David Breeze, and is therefore a related party of the Company. During the period Grandbridge charged the Company $152,210 in administration and service fees (2017: $252,595). At balance date $413,640 (2017: $624,966) was payable to Grandbridge. Grandbridge received $Nil (2017: $10,370) during the period for management services in relation to a share placement. Grandbridge's 100% subsidiary, Grandbridge Securities Limited, received $Nil (2017: $8,750) in respect of the underwriting of a share issue.

David Breeze was a Director of MEC from April 2005 and was removed from the ASIC register by MEC directors on 23 November 2016. He has neither resigned or nor removed by shareholders and disputes the actions taken by the directors of MEC. During the year the Company recognised an interest expense of $Nil (2017: $26,545) on a liability to MMR.

(f) Receivables, payables and transactions with associates

MDS is a related party of the Company. Refer to Notes 10 and 12 for the Company's investment and loan receivables. During the period the Company charged MDS $49,155 (2017: $45,166) in loan interest. In addition, a loan receivable exists between the consolidated entity and MDS of $622,200 (2017:$594,200). This amount is unsecured, non-interest bearing and repayable on demand. The Company has raised a provision against the full amount of this loan. The provision can be reversed upon payment of the loan. Advent Energy is a related party of the Company. Refer to Notes 10 and 12 for the Company's investment and loan receivables.

(g) Other Interests

Cortical is a related party of the Company. Refer to Note 10 for the Company's investment and loan receivables. During the period the Company charged Cortical $184,301 in loan interest.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

23. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2018:

Total number	Grant Date	Exercise price	Fair value at grant date	Expiry date
795,000	2 April 2015	$0.020	$0.0004	31 March 2020
9,000,000	20 April 2015	$0.020	$0.0030	31 March 2020
2,000,000	27 November 2015	$0.020	$0.0070	30 November 2020
2,000,000	23 November 2016	$0.020	$0.0030	30 November 2021
4,000,000	29 November 2017	$0.020	$0.0004	30 November 2022
17,795,000				

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

During the year, 4,000,000 options were issued. The options were issued on 29 November 2017 and expire on 30 November 2022 with a strike price of $0.02.

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

Fair value at grant date	$0.0004
Share price at grant date	$0.002
Exercise price	$0.02
Expected volatility	75%
Expected life	5 years
Expected dividends	Nil
Risk-free interest rate	2.5%
Valuation	$1,434

	Consolidated Group			
	2018		2017	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	15,042,500	0.02	13,042,500	0.02
Granted	4,000,000	0.02	2,000,000	0.02
Expired / cancelled	(1,247,500)	0.08	-	-
Outstanding at year-end	17,795,000	0.02	15,042,500	-
Exercisable at year-end	17,795,000	0.02	15,042,500	0.02

No options were exercised during the year ended 30 June 2018 (2017: Nil).
Included under employee benefits expense in the profit and loss is $1,434 for share based expense (2017: $5,873) of which $1,434 (2017: $5,680) relates to options granted to directors, and relates, in full, to equity.

24. Commitments and Contingencies

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

The Company is a party to the following legal actions.

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

The summary judgement application decision in the matter of a claim by MEC for $270,000 plus interest and costs was handed down on 23 February 2018. The application by MEC for summary judgement was heard in December 2017 in the District Court of Western Australia. The MEC application was dismissed by the court. BPH disputes the basis of the claim by MEC and its interest claims, and BPH asserts that there has not been an Event of Default and that the loan is not due and owing. The Company has a claim against MEC of $388,050 plus interest and costs and will continue to pursue this matter.

Statutory Demand

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

Statutory Demand

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

25. Parent Entity Disclosures

	Parent 2018 $	Parent 2017 $
Financial Position	4,472	5,341
Decrease in interest rate by 0.5%	(2,059)	(267)
Assets		
Current assets	635,185	820,732
Non-current assets	4,769,154	5,490,849
Total asset	5,404,339	6,311,581
Liabilities		
Current liabilities	1,756,073	1,838,801
Non-current liabilities	86,451	86,451
Total liabilities	1,842,524	1,925,252
Equity		
Issued Capital	44,135,442	43,454,632
Accumulated losses	(41,067,641)	(39,560,883)
Option Reserve	494,014	492,580
Total equity	3,561,815	4,386,329
Financial Performance		
Loss after tax for the year	(1,506,758)	(3,587,396)
Other comprehensive income	-	-
Total comprehensive loss	(1,506,758)	(3,587,396)

26. Operating Segment

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

The consolidated entity's only operating segment is investments. The consolidated entity holds investments in two principal industries and these are biotechnology, and oil and gas exploration and development, as disclosed in Note 12.

DIRECTOR'S DECLARATION

BPH ENERGY LIMITED
AND IT'S CONTROLLED ENTITIES

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 21 to 58 are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements;

   (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated entity;

2. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable:

3. the financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 1.

4. the directors have been given the declarations required by S295A of the Corporations Act 2001

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

David Breeze
Executive Chairman

Dated this 28 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report
To the Members of BPH Energy Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of BPH Energy Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and 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 consolidated entity is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

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

Material Uncertainty Related to Carrying Value of Investment in Advent Energy Limited

We also draw attention to Note 10 in the financial report which indicates a material uncertainty in relation to the consolidated entity's ability to realise the carrying value of its investment in Advent Energy Limited in the ordinary course of business. Our opinion is not modified in respect of this matter.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, 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
Valuation of financial assets Notes 10 and 21 in the financial report	
The consolidated entity had financial assets of loan receivables with a carrying value $2,295,029. The consolidated entity had financial assets of available for sale financial assets at fair value of $2,154,949 at balance date. The consolidated entity recorded an impairment expense of $1,003,001 on its investment in Advent Energy Limited that is accounted for as an available for sale financial asset at fair value. We considered this to be a key audit matter as it is important to users' understanding of the financial statements as a whole and involves judgement in relation to the determination of fair value.	Our procedures included but were not limited to the following: - We considered the ability of the other party to repay its loan with the consolidated entity to determine if any additional provisions were required. - We assessed the consolidated entity's valuation of individual investment holdings. Where readily observable data was available, we sourced that independently. - For investments where there was less or little observable market data, including level 2 holdings as disclosed in note 21, we obtained and assessed other relevant valuation data. - We assessed the appropriateness of the disclosures included in the relevant notes to the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2018, 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.

HLB Mann Judd

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of BPH Energy Limited for the year ended 30 June 2018 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

HLB Mann Judd
Chartered Accountants

B G McVeigh
Partner

Perth, Western Australia
28 September 2018

ADDITIONAL SECURITIES EXCHANGE INFORMATION

for the year ended 30 June 2018

BPH ENERGY LIMITED AND IT'S CONTROLLED ENTITIES

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

The information is stated as at 10 September 2018

1. Substantial Shareholder

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

Shareholder	Shares	%
David Breeze, Trandcorp Pty Limited, Grandbridge Limited	155,338,972	16.26%

2. (a) Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	399	163,159	0.02%
1,001 – 5,000	390	1,238,031	0.13%
5,001 – 10,000	296	2,321,216	0.24%
10,001 – 100,000	836	32,512,945	3.37%
100,001 and over	717	929,952,066	96.25%
	2,638	**966,187,417**	**100%**

(b) Distribution of Unlisted Option Holders

Range of Holding	Option Holders	Number of Options	%
10,001 to 100,000	1	45,000	0.25
100,001 and over	9	17,750,000	99.75
	10	17,795,000	100.00

The number of shareholders holding unmarketable parcels was 2,341.

3. Voting Rights - Shares

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

4. Voting Rights - Options

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

5. Restricted Securities

There are no restricted securities on issue.

6. Twenty Largest Shareholders as at 10 September 2018

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

Name	Number of ordinary fully paid shares	% held of issued ordinary capital
Grandbridge Securities Pty Ltd	70,000,000	7.24
Trandcorp Pty Ltd	64,833,328	6.71
Avanteos Investments Limited <1823205 Superannuation A/C>	38,000,000	3.93
Mr Mark Andrew Tkocz + Ms Susan Elizabeth Evans <Tkocz Super Fund A/C>	21,000,000	2.17
Tre Pty Ltd <Time Road Superannuation A/C>	20,000,000	2.07
Margadh Stoc Pty Ltd	17,268,892	1.79
Mr Greg Hugh Priestley	15,092,580	1.56
J Barlow Consultants Pty Ltd	13,657,032	1.41
Grandbridge Limited	13,556,400	1.4
Mr Stephen James Cheal + Mrs Christine Iris Cheal <Cheal Super Fund A/C>	12,001,320	1.24
Mr Maher Mansour	12,000,000	1.24
Gregory Denise Pty Ltd <Gregory Denise Super A/C>	11,891,001	1.23
Mr Victor Harold Petersen	11,000,004	1.14
Blueknight Corporation Pty Ltd	11,000,000	1.14
Mr Jovan Knezevic	10,000,000	1.03
J P Morgan Nominees Australia Limited	9,735,433	1.01
MEC Resources Ltd	9,375,000	0.97
Mr Mark Andrew Tkocz	8,000,000	0.83
GA & AM Leaver Investments Pty Ltd <GA & AM Leaver S/Fund A/C>	8,000,000	0.83
Batras One Pty Ltd <Bortoli Super Fund No 1 A/C>	7,579,474	0.78
Total	**383,990,464**	**39.74**

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