



Appendix 4D - Half year report

Results for announcement to the market

Name of Entity	BPH Energy Limited
ABN	41 095 912 002
Half Year Ended	31 December 2018
Previous Corresponding Reporting Period	31 December 2017

\$A'000

Revenues from ordinary activities	up	17.8%	to	139
Profit from ordinary activities after tax attributable to members	N/A			429
Net profit for the period attributable to members	N/A			429

No dividends are proposed and no dividends were declared or paid during the current or prior period.

NTA Backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security (cents per share)	0.24	0.53

Commentary on Results

Revenue increased by 17.8% to \$139,606 (2017 \$118,500), as the company continued to accrue interest on its secured loans to its investee companies. The Company continued to incur legal costs on its legal actions involving MEC Resources Limited ("MEC"). The profit for the period attributable to members was \$428,527 (2017: loss of \$1,268,348) after recognising a write back of a provision against a receivable of \$494,170 (2017: \$Nil), a provision for doubtful debts of \$199,526 (2017: \$33,780), a fair value gain of \$352,594 (2017: \$Nil), and an impairment charge of \$Nil on its investment in Advent Energy Limited (2017: \$1,003,000).

Primarily as a result of the above and the one for one non-renounceable entitlement issue ("Rights Issue") completed in December 2018 (see below), the net assets of the economic entity have increased by 38.9% from 30 June 2018 to \$4,948,939 at 31 December 2018.

Appendix 4D (continued)

BPH Energy Ltd and its controlled entities

Capital Raising

On 24 October 2018 BPH announced a Rights Issue at an issue price of \$0.001 per share to raise up to \$1,186,237 (before costs). As at half year end BPH had issued 841,040,241 shares under the Rights Issue and Rights Issue shortfall for gross proceeds of \$841,040 of which \$682,504 was received in cash and \$158,536 satisfied by debt set-off. In addition, during the period BPH raised \$103,000 cash from the issue of placement shares, issued 100,000,000 shares in exchange for 5,555,556 shares in MEC Resources Limited, issued 17,050,000 shares in settlement of consulting fees, and issued 20,000,000 shares as part of director remuneration.

Subsequent to period end BPH (i) raised a further \$390,000 from the issue of 390,000,000 shares, of which 345,000,000 were part of the Rights Issue shortfall, bringing the total raised under the Rights Issue and Rights Issue shortfall to \$1,186,040 and; (ii) issued 106,000,000 shares in lieu of cash payment for services rendered.

Operations

BPH intends to pursue a complementary strategy of making investments in the medical cannabis sector. At this stage no specific investment has been finalised.

The medical cannabis sector is showing significant growth with current developments boosting the sectors viability including the move to legalise cannabis in Canada and the announcement by the British Government to legalise medical cannabis from November 2018. This follows the announcement by the Australian Federal Government in January 2018 to legalise the export of medical cannabis from Australia. Any investment by the Company in the medical cannabis sector will be reviewed by ASX and the Company may be required to re-comply with chapters 1 and 2 of the Listing Rules and there may be necessary escrow implications for the shares to be issued under the rights issue.

Developments in the Company's investments include:

Cortical Dynamics Ltd ("Cortical")

BPH investee Cortical announced a number of developments during the half year which included:

- On 16 October 2018 Mr. Gary Todd was appointed as Managing Director of BPH investee Cortical. Mr Todd has extensive sales experience gained over the last thirty years both in Australia and internationally in Medical Devices, FMCG and IT& T markets
- Cortical has engaged Enable Funding to undertake a pre-IPO capital raising of up to \$2 million at a price of 10 cents per share
- Cortical's BAR Monitor (BARM) was exhibited by the Cortical Korean distributor GLOBALUCK on 8th to 10th November 2018 at the Congress of Korean Anaesthesiology meeting in Seoul
- Further successful trials of the BARM were carried out at St. Luke's Private Hospital and Strathfield Private Hospital in Sydney. Strathfield is part of the Ramsay hospital Group. The trials have been conducted by Dr Adrian Sultana MD FRCP (Glasg) FANZCA, a consultant anaesthetist. He is appointed as a Conjoint Lecturer at the Prince of Wales Clinical School, University of New South Wales and is also a Clinical Lecturer in Anaesthesia at the Australian School of Advanced Medicine, Macquarie University. He is also a director of the International Society for the Perioperative Care of the Obese Patient. Key conclusions from these trials by Dr Sultana trialling BARM during 2018 include:
 - The BARM has shown "significant reduction in anaesthesia recovery time using TIVA. (Total intravenous anesthesia is a technique of general anesthesia which uses a combination of

Appendix 4D (continued)

BPH Energy Ltd and its controlled entities

agents given exclusively by the intravenous route without the use of inhalation agents (Gas Anesthesia)) with the BARM"

- The Cortical BARM was "Remarkably stable and the responsive signal permitted a new level of belief in the awareness monitoring technique and allowed him to run cases at a CCS index of 45 with confidence in early tapering of the patients' anaesthesia using TCI (infusions of propofol and remifentanyl)
- • The BARM had impressive stability and speed of response. He reported that "he was able to administer significantly less TIVA and was able to have the patient wake within 3 minutes of the end of the operation. Dr Sultana reported that "Often when using the BIS/Entropy (monitors), they dramatically lag the patients emergence and he has had patients that take up to 20 minutes to wake up. Note he reported the patients emerged at CCS index of 70
- In usage with NMB (Neuromuscular Block) he was able to "achieve accuracy, predictability and a smooth wake up"
- The BAR Monitor has now been used with 109 patients at Strathfield and St Luke's Hospitals
- Cortical believes these conclusions have significant implications for hospital operations, including:
 - Optimising the dose of anaesthetic agent used can reduce the use of anaesthetic agents, and improve patient turn-around times and lead to cost savings
 - Facilitate the delivery of higher quality and more reliable service to hospitals and patients

MEC Resources Limited ("MEC") / Advent Energy Ltd ("Advent")

On 29 March 2018 an Instrument of Direction was issued to Advent's subsidiary, Onshore Energy Pty Ltd, by the Western Australian Government (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.

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. MEC have announced several extensions to this agreement with no termination date confirmed.

On 7 February 2019 MEC confirmed that Sacgasco Ltd had terminated its funding option for the PEP11 project.

The issues at board level in MEC and Advent have 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. Grandbridge has confirmed mediation is to occur during April 2019 in District court Action 1160 of 2018.

A number of matters have been and will be referred to the regulatory authorities.

The Company's half year financial report for the six months ending 31 December 2018 is set out on the following pages.

Contents

BPH Energy Ltd and its controlled entities

	Page Number
Directors' Report	2
Auditor's Independence Declaration	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity.....	7
Consolidated Statement of Cash Flows.....	8
Notes to the Consolidated Financial Statements	9-15
Directors' Declaration	16
Independent Auditor's Review Report.....	17

Company Information

Directors

David Breeze – Executive Chairman
Tony Huston – Non-executive Director
Charles Maling – Non-executive Director

Scientific Advisor

Professor David Liley

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Auditor

HLB Mann Judd
Level 4
130 Stirling Street
PERTH WA 6000

Share Registry

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009

Australian Business Number

41 095 912 002

Directors' Report

BPH Energy Ltd and its controlled entities

The directors of BPH Energy Ltd ("BPH" or "the Company") present their report for the Company and its controlled entities ("consolidated entity" or "group") for the half year ended 31 December 2018.

Directors

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

D L Breeze
T Huston
C Maling

Review of Operations

The operating profit for the consolidated entity after tax for the half-year was \$428,527 (2017: loss of \$1,268,753).

Revenue increased by 17.8% to \$139,606 (2017 \$118,500), as the company continued to accrue interest on its secured loans to its investee companies. The Company continued to incur legal costs on its legal actions involving MEC Resources Limited ("MEC"). The profit for the period attributable to members was \$428,527 (2017: loss of \$1,268,348) after recognising a write back of a provision against a receivable of \$494,170 (2017: \$Nil), a provision for doubtful debts of \$199,526 (2017: \$33,780), a fair value gain of \$352,594 (2017: \$Nil), and an impairment charge of \$Nil on its investment in Advent Energy Limited (2017: \$1,003,000).

Capital Raising

On 25 October 2018 BPH announced a Rights Issue at an issue price of \$0.001 per share to raise up to \$1,186,237 (before costs). As at half year end BPH had issued 841,040,241 shares under the Rights Issue and Rights Issue shortfall for gross proceeds of \$841,040 of which \$682,504 was received in cash and \$158,536 satisfied by debt set-off. In addition, during the period BPH raised \$103,000 cash from the issue of placement shares, issued 100,000,000 shares in exchange for 5,555,556 shares in MEC Resources Limited, issued 17,050,000 shares in settlement of consulting fees, and issued 20,000,000 shares as part of director remuneration.

Significant changes in state of affairs

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

Subsequent Events

Subsequent to period end (i) BPH raised a further \$390,000 from the issue of 390,000,000 shares, of which 345,000,000 were part of the Rights Issue shortfall, bringing the total raised under the Rights Issue and Rights Issue shortfall to \$1,186,040 and; (ii) issued 106,000,000 shares in lieu of cash payment for services rendered.

There have not been other any matters or circumstance that have arisen since the end of the period, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' Report

BPH Energy Ltd and its controlled entities

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.

Auditor's Independence

The directors received a declaration of independence from the auditor as set out on page 4.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'D L Breeze'.

D L Breeze
Executive Chairman
Perth, 28 February 2019

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of BPH Energy Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



Perth, Western Australia
28 February 2019

B G McVeigh
Partner

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2018
BPH Energy Ltd and its controlled entities

		Consolidated	
		31 December 2018	31 December 2017
	Note	\$	\$
Interest revenue	4	133,831	118,500
Miscellaneous income		5,775	-
Interest expense		(387)	(883)
Administration		(24,858)	(26,092)
Consulting and legal		(143,607)	(183,719)
Provision against receivables written back	9	494,170	-
Impairment charge		-	(1,003,000)
Fair value gain	2(b)	319,261	-
Provision for doubtful debts		(199,526)	(33,780)
Employee benefits		(70,005)	(52,688)
Insurance		(4,515)	(9,020)
Other expenses		(8,906)	(5,514)
Share of associates loss		(8,386)	(8,237)
Service expenses		(64,320)	(64,320)
Operating profit / (loss) before income tax		428,527	(1,268,753)
Income tax expense		-	-
Operating profit / (loss) for the period		428,527	(1,268,753)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		428,527	(1,268,753)
Profit / (loss) attributable to non-controlling interest		-	(405)
Profit / (loss) attributable to members of the parent entity		428,527	(1,268,348)
Earnings per share:			
Basic and diluted (cents per share)		0.04	(0.22)

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

**Consolidated Statement of Financial Position
as at 31 December 2018
BPH Energy Ltd and its controlled entities**

		Consolidated	
	Note	31 December 2018 \$	30 June 2018 \$
Current Assets			
Cash and cash equivalents	5	752,658	447,214
Trade and other receivables		21,937	19,658
Financial assets	9	299,167	165,058
Other current assets		26,554	4,051
Total Current Assets		1,100,316	635,981
Non-Current Assets			
Financial assets	9	5,192,756	4,284,920
Investments in associates	8	456,161	464,547
Total Non-Current Assets		5,648,917	4,749,467
Total Assets		6,749,233	5,385,448
Current Liabilities			
Trade and other payables		1,440,968	1,323,541
Financial liabilities		272,875	413,641
Total Current Liabilities		1,713,843	1,737,182
Non-Current Liabilities			
Financial liabilities		86,451	86,451
Total Non-Current Liabilities		86,451	86,451
Total Liabilities		1,800,294	1,823,633
Net Assets		4,948,939	3,561,815
Equity			
Issued capital	6	45,094,039	44,135,442
Reserves		494,014	494,014
Accumulated losses		(40,479,539)	(40,908,066)
Non-controlling interest		(159,575)	(159,575)
Total Equity		4,948,939	3,561,815

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

**Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2018
BPH Energy Ltd and its controlled entities**

	Note	Ordinary share capital \$	Accumulated losses \$	Options reserve \$	Total attributable to holders of the parent entity \$	Non- controlling Interest \$	Total \$
Balance as at 1 July 2017		43,454,632	(39,402,226)	492,580	4,544,986	(158,657)	4,386,329
Loss for the period		-	(1,268,348)	-	(1,268,348)	(405)	(1,268,753)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the half year		-	(1,268,348)	-	(1,268,348)	(405)	(1,268,753)
<i>Transactions with owners in their capacity as owners:</i>							
Share based payments		-	-	1,434	1,434	-	1,434
Balance as at 31 December 2017		43,454,632	(40,670,574)	494,014	3,278,072	(159,062)	3,119,010
Balance as at 1 July 2018		44,135,442	(40,908,066)	494,014	3,721,390	(159,575)	3,561,815
Profit for the period		-	428,527	-	428,527	-	428,527
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the half year		-	428,527	-	428,527	-	428,527
<i>Transactions with owners in their capacity as owners:</i>							
Share based payments		20,000	-	-	20,000	-	20,000
Shares issued for cash		785,504	-	-	785,504	-	785,504
Share issue costs		(122,493)	-	-	(122,493)	-	(122,493)
Shares issued as set off against amounts payable		158,536	-	-	158,536	-	158,536
Shares issued in lieu of consulting fees		17,050	-	-	17,050	-	17,050
Shares issued in exchange for listed investments		100,000	-	-	100,000	-	100,000
Balance as at 31 December 2018		45,094,039	(40,479,539)	494,014	5,108,514	(159,575)	4,948,939

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

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2018
BPH Energy Ltd and its controlled entities

	Note	Consolidated	
		31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities			
Payments to suppliers and employees		(202,068)	(261,418)
Interest received		601	1,187
Interest paid		(387)	(883)
Net cash used in operating activities		(201,854)	(261,114)
Cash flows from investing activities			
Loans to related parties		(7,500)	(9,000)
Loans to other parties		(192,500)	-
Net cash used in financing activities		(200,000)	(9,000)
Cash flows from financing activities			
Proceeds from issue of securities (net of share issue costs)		782,298	-
Share issue costs paid in advance of share issue		-	(55,222)
Share proceeds received in advance of share issue		-	19,808
Repayment of borrowings		(75,000)	(83,000)
Net cash from / (used in) financing activities		707,298	(118,414)
Net increase / (decrease) in cash held		305,444	(388,528)
Cash at the beginning of the financial period		447,214	613,658
Cash at the end of the financial period	5	752,658	225,130

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

1. CORPORATE INFORMATION

The financial report of BPH Energy Ltd authorised for issue in accordance with a resolution of the directors on 28 February 2019.

BPH Energy Ltd is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 Interim Financial Reporting.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of BPH Energy Limited as at 30 June 2018.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

It is also recommended that the half-year financial report be considered together with any public announcements made by BPH Energy Limited and its controlled entities during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Significant Accounting Policies

The half-year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2018 other than noted below.

Standards and Interpretations applicable to 31 December 2018

In the period ended 31 December 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 reporting periods beginning on or after 1 July 2018. As a result of this review, the group has initially applied AASB 9 and AASB 15 from 1 July 2018. Due to the transition methods chosen by the group in applying AASB 9 and AASB 15, comparative information throughout the interim financial statements has not been restated to reflect the requirements of the new standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant Accounting Policies

AASB 9 Financial Instruments

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

Financial instruments are classified as either held at amortised cost or fair value. Financial instruments are carried at amortised cost if the business model concept can be satisfied. All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are recognised in profit or loss. The AASB 9 impairment model is based on expected loss at day one rather than needing evidence of an incurred loss, which is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

AASB 15 Revenue from contracts with Customers

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

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

Other than the above, the Directors have determined that there is no material impact of the other new and revised Standards and Interpretations on the Company and therefore, no material change is necessary to group accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant Accounting Policies

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2018. 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 group and, therefore, no change is necessary to group accounting policies.

(c) Financial Position

The consolidated entity has incurred a net profit before tax for the period ended 31 December 2018 of \$428,527 (2017: loss of \$1,268,753) and has a working capital deficit of \$613,527 as at 31 December 2018 (June 2018: \$1,101,201). Included in other payables are amounts payable to the directors of the company of \$756,846 (June 2018: \$765,027). The directors have reviewed their expenditure and commitments for the consolidated entity and have implemented methods of costs reduction. The directors, as a part of their cash monitoring, have voluntarily suspended cash payments for their director's fees.

Subsequent to period end BPH (i) raised a further \$390,000 from the issue of 390,000,000 shares, of which 345,000,000 were part of the Rights Issue shortfall, bringing the total raised under the Rights Issue and Rights Issue shortfall to \$1,186,040 and; (ii) issued 106,000,000 shares in lieu of cash payment for services rendered.

The directors have prepared cash flow forecasts that 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 the directors not calling their outstanding fees, and the monitoring of operational costs, 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 settlement of liabilities in the ordinary course of business.

The consolidated entity is involved in a legal dispute with MEC Resources Ltd. Should the consolidated entity not be successful in raising additional funds through the issue of new equity, should the need arise, or should there be an unfavourable outcome in the legal dispute with MEC Resources Ltd, 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.

3. SEGMENT INFORMATION

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

Notes to the Financial Statements for the half-year ended 31 December 2018
BPH Energy Ltd and its controlled entities

4. REVENUE

	Consolidated	
	31 December 2018(\$)	31 December 2017(\$)
Revenue		
Interest revenue	133,831	118,500
Miscellaneous income	5,775	-
	<u>139,606</u>	<u>118,500</u>

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
Cash and cash equivalents are comprised of the following:		
Cash at bank and in hand from continuing operations	752,658	447,214
	<u>752,658</u>	<u>447,214</u>

6. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
2,047,277,658 (30 June 2018: 966,187,417) fully paid ordinary shares	45,094,039	44,135,442

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

	Consolidated	
	Number	\$
Movements in ordinary shares on issue		
At 1 July 2018	966,187,417	44,135,442
Share based payments	20,000,000	20,000
Shares issued for cash	785,504,193	785,504
Share issue costs	-	(122,493)
Shares issued as set off against amounts payable	158,536,048	158,536
Shares issued in lieu of consulting fees	17,050,000	17,050
Shares issued in exchange for listed investments	100,000,000	100,000
At 31 December 2018	<u>2,047,277,658</u>	<u>45,094,039</u>

No options were exercised during the current reporting period. In the corresponding reporting period the directors Charles Maling and Tony Huston were issued 2,000,000 options each with an exercise price of \$0.02 per share and a maturity date of 30 November 2022. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

7. COMMITMENTS AND CONTINGENT LIABILITIES

There have been no other changes to commitments and contingencies that were disclosed in the 30 June 2018 Annual Financial Report.

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	Consolidated	
	31 December 2018 (\$)	30 June 2018 (\$)
Molecular Discovery Systems Ltd	456,161	464,547
	<u>456,161</u>	<u>464,547</u>

(a) Shares in associates

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 %	
		December 2018	June 2018
Molecular Discovery Systems	Australia	20%	20%

9. FINANCIAL ASSETS

	Consolidated	
	31 December 2018 (\$)	30 June 2018 (\$)
Current		
<i>Unsecured loans to other entities:</i>		
MEC Resources Limited (b)	-	2,494
Advent Energy Limited (b)	-	162,564
Cortical Dynamics Limited	142,500	-
<i>Secured loans to other entities:</i>		
Cortical Dynamics Limited	90,000	40,000
<i>Equity Investments at fair value through profit and loss (a)</i>		
Listed shares: MEC Resources Limited	66,667	-
	<u>299,167</u>	<u>165,058</u>
Non-current		
<i>Unsecured loans to other entities:</i>		
Cortical Dynamics Limited	494,170	-
<i>Secured loans to other entities:</i>		
Cortical Dynamics Limited	2,191,043	2,089,971
<i>Equity Investments at fair value through profit and loss (a)</i>		
Unlisted shares: Cortical Dynamics Limited	501,543	148,949
Unlisted shares: Advent Energy Limited (c)	2,006,000	2,006,000
	<u>5,192,756</u>	<u>4,284,920</u>

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

9. FINANCIAL ASSETS (continued)

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

The methods and valuation techniques used for the purpose of measuring fair value of the company's financial assets are unchanged compared to the previous reporting period.

31 December 2018	\$	\$	\$	\$
	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Investments in unlisted entities	-	2,507,543	-	2,507,543
- Investments in listed entities	66,667	-	-	66,667
Total	66,667	2,507,543	-	2,574,210
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

Reconciliation of fair value measurements of financial assets:

	6 months	12 months
	31 December	30 June
	2018 (\$)	2018 (\$)
	Level 1	Level 1
Opening balance	-	-
Acquisition of listed investments	100,000	-
Loss on revaluation of listed investments	(33,333)	-
Closing balance	66,667	-
	Level 2	Level 2
Opening balance	2,006,000	3,009,001
Fair value adjustment	501,543	-
Impairment charge	-	(1,003,001)
Closing balance	2,507,543	2,006,000
	Level 3	Level 3
Opening balance	148,949	148,949
Fair value adjustment	(148,949)	-
Closing balance	-	148,949

9. FINANCIAL ASSETS (continued)

(b) These loans are unsecured, non-interest bearing and repayable on demand. As a result of the adoption of AASB 9, effective 1 July 2018, the Company has adopted the expected credit model of assessing impairment of its financial assets. As a result of this change in accounting standards the Directors are obliged to make a provision for \$165,058 during the reporting period in respect of the current amounts receivable from Advent and MEC. The Directors emphasise that there has been no change in the nature or validity of these receivables during the reporting period, and that the Company is still pursuing payment of these balances and exploring all legal options in order to secure repayment.

(c) MEC's June 2018 Annual Financial Report stated that in order to maintain an interest in the exploration tenements in which the Group is involved, the MEC Group is committed to meet the conditions under which the tenements were granted. Capital expenditure forecasted for at the reporting date but not recognised as liabilities within a period greater than one year and less than 5 years were \$18,225,000.

MEC further advised Advent is continually seeking and reviewing potential sources of both equity and debt funding. Advent completed a strategic review of its core assets and is now embarking on a fresh marketing campaign to attract new investors and/or joint venture partners. Management has confidence that a suitable outcome will be achieved however there is no certainty at this stage that this will result in further funding being made available.

Asset Energy Pty Ltd has invested over \$25 million in the PEP11 title in recent history and, along with its JV partner Bounty Oil and Gas NL, is committed to continuing to explore for and ultimately exploit any petroleum accumulations which may be identified in this title area. If MEC is unable to source further funding for each of PEP11, RL1 and EP 386 each of these permits are at risk.

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

10. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to period end BPH (i) raised a further \$390,000 from the issue of 390,000,000 shares, of which 345,000,000 were part of the Rights Issue shortfall, bringing the total raised under the Rights Issue and Rights Issue shortfall to \$1,186,040 and (ii) issued 106,000,000 shares in lieu of cash payment for services rendered.

There have not been other any matters or circumstance that have arisen since the end of the period, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' Declaration
BPH Energy Ltd and its controlled entities

In the opinion of the directors the Company:

(a) the financial statements and notes as set out on pages 5 to 15 are in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2018 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'D L Breeze'.

D L Breeze
Executive Chairman
Perth, 28 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BPH Energy Limited

Report on the Condensed Half-Year Financial Report*Qualified conclusion*

We have reviewed the accompanying half-year financial report of BPH Energy Limited ("the Group") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, except for the matter described in the Basis for Qualified Conclusion section of our report, we have not become aware of any matter that makes us believe that the half-year financial report of BPH Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for qualified conclusion

Included in the Group's non-current financial assets as at 31 December 2018 is a loan to Cortical Dynamics Limited ("Cortical") of \$2,917,713 and an investment in Cortical of \$501,543. Cortical is a company whose principal asset is an intangible asset in relation to the development of a Brain Anaesthesia Response Monitor. The directors of BPH Energy Limited have advised us that, in their opinion, the loan and the investment is fully recoverable based upon the value of the principal assets held by Cortical and the ability of Cortical to raise additional capital. We were unable to obtain sufficient appropriate audit evidence regarding the fair value of Cortical's assets or ability to raise additional capital, in order to form a conclusion as to the potential provision for expected credit loss against the loan and the fair value of the investment. Consequently, we are unable to determine whether a provision for expected credit loss against the loan is necessary and the fair value of the investment is correct.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion 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 9 in the half-year 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.

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Directors' responsibility for the half-year financial report

The directors of the Group are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 February 2019



B G McVeigh
Partner