



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 2019
Previous Corresponding Reporting Period	31 December 2018

\$A'000

Revenues from ordinary activities	up	23.7%	to	172
(Loss) from ordinary activities after tax attributable to members	N/A			(754)
Net (loss) for the period attributable to members	N/A			(754)

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)	0.063	0.24

Commentary on Results

Revenue increased by 23.7% to \$171,736 (2018: \$139,606), as the company continued to accrue interest on its secured loans to its investee companies.

The loss for the period was \$754,862 (2018: profit of \$428,527) after recognising:

- A share of an associate's (Advent Energy Limited) profit net of impairment of \$552,745 (2018: \$Nil).

As of 1 January 2017 a judgement was made that, despite owning 27% of Advent Energy Limited ("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. If an entity holds, directly or indirectly, twenty per cent or more of the voting power of an investee it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case.

On 6 August 2019 the Company entered into a Deed of Settlement and Release ("Deed") with Advent, MEC Resources Limited ("MEC"), Grandbridge Limited ("GBA"), Trandcorp Pty Ltd ("Trandcorp") and Mr David Breeze and other relevant parties. As a condition of this Deed

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BPH Energy Ltd and its controlled entities

it was agreed that Messrs Matthew Battrick and Tobias Foster would appoint Messrs Steven James, Tony Huston and Thomas Fontaine as directors of Advent, and that Messrs Matthew Battrick and Tobias Foster would then resign from the Board of Advent. The incoming directors have since confirmed and acknowledged Mr David Breeze as a duly elected director of Advent.

The existence of significant influence by an BPH over Advent from the date of the Deed is evidenced by Mr David Breeze being the Managing Director of both BPH and Advent, MEC no longer have a MEC Board position, and, if at any time before 23 July 2021 Advent has less than 51 members then MEC, who currently hold 49% of Advent will, upon written request by BPH, which has been given, execute an irrevocable proxy in favour of BPH in respect of all business to be considered at any meeting of members of Advent. As a consequence the Company has regained significant influence over Advent and Advent has once again been recognised as an associate of BPH from 6 August 2019.

In the June 2018 year Advent's management at that time assessed capitalised costs for impairment by reference to the value implied for the PEP 11 permit by virtue of a conditional farmin agreement entered into with RL Energy Pty Ltd. Based on this assessment the asset was considered to be impaired and an adjustment to the fair value was booked at 30 June 2018. This farmin agreement was terminated on 17 September 2019 and therefore the writedown of \$18,780,680 booked to the fair value at 30 June 2018 was pre-emptive and is misleading. In the current period the Advent directors have assessed the valuation of the PEP 11 permit against what they consider a comparable transaction with the result that the 2018 year PEP 11 impairment has been reversed to the extent of \$6,882,247 resulting in the \$1,486,099 share of an associate profit recognized by BPH in the half year.

Other significant impacts on the half year results are a provision for doubtful debts of \$415,985 (2018: \$199,526), a fair value loss of \$501,543 in relation to the Company's investment in Cortical Dynamics Limited ("Cortical") (2018: fair value gain of \$319,261), and a write back of a provision against a receivable of \$Nil (2018: \$494,170). In addition, the Company has incurred significant legal, digital advertising and Company research costs in the half year period.

Primarily as a result of the above, the net assets of the economic entity have increased by 5.2% from 30 June 2019 to \$2,107,111 at 31 December 2019.

On 29 November 2019 Cortical's shareholders approved the conversion of \$2,313,406 debt owing to the Company into 23,134,057 shares in Cortical at a conversion of \$0.10 per share. These loans have yet to be converted into Cortical equity at the date of this report.

On 7 February 2020 the Company announced that in accordance with shareholder approval received by Advent shareholders on 29 November 2019, it intends to now convert a receivable of \$162,566 into 3,251,320 shares in Advent at a conversion price of \$0.05 per share. As a result of this conversion, and another by GBA, the Company's direct shareholding in Advent increased from 22.6% to 22.7%. The conversion occurred on 11 February 2020.

Capital Raising

During the half-year BPH issued 215,518,877 shares under a Share Purchase Plan at an issue price of \$0.00140056 per share, of which \$211,847 was received in cash and \$90,000 satisfied by debt set-off. In addition, during the period the Company raised \$282,000 cash from the issue of 282,000,000 placement shares, issued 150,000,000 shares as partial consideration for 10% of Patagonia Genetics, issued 15,000,000 shares as an introductory fee for a business transaction, issued 20,000,000 shares as part of director remuneration, and issued 115,666,667 shares in lieu of consultants' fees.

Appendix 4D (continued)

BPH Energy Ltd and its controlled entities

Operations

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

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

The key terms were:

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

The T2 transaction was to be conditional on appropriate due diligence and shareholder approval. There was no requirement for shareholder approval for the T1 transaction as the consideration was met from the current cash position and the shares issued from the existing 15% ASX Listing Rule 7.1 capacity of BPH. The option was not initiated.

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BPH Energy Ltd and its controlled entities

Developments in the Company's investments include:

Cortical Dynamics Ltd ("Cortical")

Investee Cortical reported a number of developments during the half year which included:

- Trialing the Brain Anaesthesia Response Monitoring System " (BARM) at Southampton University Hospital in the UK
- Progressing the certification process in South Korea to enable sales and distribution of the BARM through the South Korean distributor Globaluck

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

On 6 August 2019 the Company entered into a Deed of Settlement and Release ("Deed") with Advent, MEC, GBA, Trandcorp and Mr David Breeze and other relevant parties. As part of the settlement it was agreed that Messrs Matthew Battrick and Tobias Foster would appoint Messrs Steven James, Tony Huston and Thomas Fontaine as directors of Advent, and that Messrs Matthew Battrick and Tobias Foster would then resign from the Board of Advent. The incoming directors have since confirmed and acknowledged Mr David Breeze as a duly elected director of Advent.

The other key terms of the settlement are as follows:

- MEC has provided an irrevocable proxy to BPH on the voting rights attaching to 100% of the shares held by MEC in Advent at any meeting of shareholders of the Company up to 23 July 2021.
- Until 23 July 2021, MEC agrees to not directly or indirectly interfere with the board composition and/or management of Advent.
- For a period of one year commencing from 6 August 2019 MEC must not sell or otherwise dispose of any shares it holds in Advent, other than by an in-specie distribution to MEC if requested in writing to do so by Advent. If notice is given, MEC must do all that is required to effect and support the In-Specie Distribution. Advent requested the In-Specie Distribution on 6 August 2019.
- The loans owed by Advent to MEC will be recoverable by MEC only by the following means and only in the following circumstances:

One month prior to the scheduled commencement date for the drilling of a well within the PEP 11 Permit Area, Advent will issue to MEC ordinary shares to the face value of the debt calculated at 80% of (a) the volume-weighted average price of Advent shares over the 5 days trading immediately prior to that date; or (b) if as at that date Advent shares are not listed on any securities exchange, the price at which ordinary shares in Advent were last issued.

The Company's half year financial report for the six months ending 31 December 2019 is set out on the following pages.

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Company Information

Directors

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

Auditor

HLB Mann Judd
Level 4
130 Stirling Street
PERTH WA 6000

Registered Office

14 View Street
NORTH PERTH WA 6006

Share Registry

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009

Principal Business Address

14 View Street
NORTH PERTH WA 6006
Telephone: (08) 9328 8366
Facsimile: (08) 9328 8733
Website: www.bphenergy.com.au
E-mail: admin@bphenergy.com.au

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 2019.

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

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Directors' Report

BPH Energy Ltd and its controlled entities

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Directors' Report

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Capital Raising

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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

On 7 February 2020 the Company announced that in accordance with shareholder approval received by Advent shareholders on 29 November 2019, it intends to now convert a receivable of \$162,566 into 3,251,320 shares in Advent at a conversion price of \$0.05 per share. As a result of this conversion, and another by GBA, the Company's direct shareholding in Advent increased from 22.6% to 22.7%. The conversion occurred on 11 February 2020.

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.

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.

Directors' Report
BPH Energy Ltd and its controlled entities

Auditor's Independence

The directors received a declaration of independence from the auditor as set out on page 6.

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 2020

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 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
28 February 2020



B G McVeigh
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2019
BPH Energy Ltd and its controlled entities

		Consolidated	
		31 December 2019	31 December 2018
	Note	\$	\$
Interest revenue	4	165,526	133,831
Miscellaneous income	4	6,210	5,775
Interest expense		(260)	(387)
Administration		(32,326)	(24,858)
Consulting and legal		(344,594)	(143,607)
Provision against receivables written back		-	494,170
Fair value (loss) / gain	10	(501,543)	319,261
Provision for doubtful debts	10	(415,985)	(199,526)
Employee benefits		(50,000)	(70,005)
Insurance		-	(4,515)
Other expenses		(27,605)	(8,906)
Share based payments		(35,386)	-
Share of associates gains / (losses) net of impairment	9	545,421	(8,386)
Service expenses		(64,320)	(64,320)
Operating (loss) / profit before income tax		(754,862)	428,527
Income tax expense		-	-
Operating (loss) / profit for the period		(754,862)	428,527
Other comprehensive income		-	-
Total comprehensive (loss) / income for the period		(754,862)	428,527
(Loss) attributable to non-controlling interest		(410)	-
(Loss) / profit attributable to members of the parent entity		(754,452)	428,527
Earnings per share:			
Basic and diluted (cents per share)		(0.02)	0.04

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 2019
BPH Energy Ltd and its controlled entities**

		Consolidated	
	Note	31 December 2019 \$	30 June 2019 \$
Current Assets			
Cash and cash equivalents	5	211,393	437,316
Trade and other receivables		32,454	20,969
Financial assets	10	219,645	190,342
Other current assets		7,071	33,869
Total Current Assets		470,563	682,496
Non-Current Assets			
Financial assets	10	250,000	2,507,543
Investments in associates	9	2,987,962	436,541
Total Non-Current Assets		3,237,962	2,944,084
Total Assets		3,708,525	3,626,580
Current Liabilities			
Trade and other payables		1,480,329	1,424,235
Financial liabilities		121,085	200,086
Total Current Liabilities		1,601,414	1,624,321
Total Liabilities		1,601,414	1,624,321
Net Assets		2,107,111	2,002,259
Equity			
Issued capital	6	46,418,835	45,574,507
Reserves		523,822	508,436
Accumulated losses		(44,675,316)	(43,920,864)
Non-controlling interest		(160,230)	(159,820)
Total Equity		2,107,111	2,002,259

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 2019
BPH Energy Ltd and its controlled entities**

	Ordinary share capital \$	Accumulated losses \$	Options reserve \$	Total attributable to holders of the parent entity \$	Non- controlling Interest \$	Total \$
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
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
Balance as at 1 July 2019	45,574,507	(43,920,864)	508,436	2,162,079	(159,820)	2,002,259
(Loss) for the period	-	(754,452)	-	(754,452)	(410)	(754,862)
Total comprehensive (loss) for the half year	-	(754,452)	-	(754,452)	(410)	(754,862)
<i>Transactions with owners in capacity as owners:</i>						
Shares issued for cash	493,847	-	-	493,847	-	493,847
Share issue costs	(43,019)	-	-	(43,019)	-	(43,019)
Shares issued in lieu of consulting fees	118,500	-	-	118,500	-	118,500
Shares issued in satisfaction of debt	90,000	-	-	90,000	-	90,000
Shares issued as introductory fee for business transaction	15,000	-	-	15,000	-	15,000
Shares issued as partial acquisition for investment	150,000	-	-	150,000	-	150,000
Shares based payments expense	20,000	-	15,386	35,386	-	35,386
Balance as at 31 December 2019	46,418,835	(44,675,316)	523,822	2,267,341	(160,230)	2,107,111

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 2019
BPH Energy Ltd and its controlled entities

	Note	Consolidated	
		31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities			
Payments to suppliers and employees		(287,110)	(202,068)
Interest received		120	601
Interest paid		(260)	(387)
Net cash used in operating activities		(287,250)	(201,854)
Cash flows from investing activities			
Payment for unlisted investments		(100,000)	-
Loans to related parties		(3,500)	(7,500)
Loans to other parties		(207,000)	(192,500)
Net cash used in financing activities		(310,500)	(200,000)
Cash flows from financing activities			
Proceeds from issue of securities (net of share issue costs)		450,827	782,298
Repayment of borrowings		(79,000)	(75,000)
Net cash from financing activities		371,827	707,298
Net (decrease) / increase in cash held		(225,923)	305,444
Cash at the beginning of the financial period		437,316	447,214
Cash at the end of the financial period	5	211,393	752,658

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

Notes to the Financial Statements for the half-year ended 31 December 2019

BPH Energy Ltd and its controlled entities

1. CORPORATE INFORMATION

The financial report of BPH Energy Ltd authorised for issue in accordance with a resolution of the directors on 28 February 2020.

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 2019.

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 2019 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 2019 other than noted below.

Standards and Interpretations applicable to 31 December 2019

In the period ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant Accounting Policies

AASB 16 Leases

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

Impact on operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet, that AASB 16 is applicable to. The consolidated entity does not have any operating leases.

Impact on finance leases

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

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.

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 2019. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Position

The consolidated entity has incurred a net loss before tax for the period ended 31 December 2019 of \$754,862 (2018: profit of \$428,527) and has a working capital deficit of \$1,131,455 as at 31 December 2019 (June 2019: \$941,825). Included in other payables are amounts payable to the current directors of the company of \$786,385 (June 2019: \$812,783).

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 to conserve cash resources and they have confirmed that they will not call for repayment of their balances of \$786,385 for a period of 12 months or until the Company is financially able to support these payments. Subsequent to year end Grandbridge Limited has confirmed that the \$121,085 loans provided to the consolidated entity at 31 December 2019 will not be called upon for repayment if the BPH directors are of the opinion that such an action would compromise BPH's financial solvency.

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

Should the consolidated entity not be successful in raising additional funds through the issue of new equity, should the need arise there is a material uncertainty that may cast significant doubt as to whether or not the consolidated entity will be able to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities as and when they fall due and in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

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 three principal industries and these are biotechnology, medicinal cannabis, and oil and gas exploration and development.

Notes to the Financial Statements for the half-year ended 31 December 2019
BPH Energy Ltd and its controlled entities

4. REVENUE

	Consolidated	
	31 December 2019(\$)	31 December 2018(\$)
Revenue		
Interest revenue	165,526	133,831
Miscellaneous income	6,210	5,775
	<u>171,736</u>	<u>139,606</u>

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2019(\$)	30 June 2019(\$)
Cash and cash equivalents are comprised of the following:		
Cash at bank and in hand from continuing operations	211,393	437,316
	<u>211,393</u>	<u>437,316</u>

6. CONTRIBUTED EQUITY

3,341,463,202 (30 June 2019: 2,543,277,658) fully paid ordinary shares

	<u>46,418,835</u>	<u>45,574,507</u>
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The Company has no authorised capital and the issued shares do not have a par value.

	Number	\$
Movements in ordinary shares on issue		
At 1 July 2019	2,543,277,658	45,574,507
Share based payments	20,000,000	20,000
Shares issued as partial acquisition of investment	150,000,000	150,000
Shares issued for cash	433,258,865	493,847
Share issue costs	-	(43,019)
Shares issued in satisfaction of debt	64,260,012	90,000
Shares issued in lieu of consulting fees	115,666,667	118,500
Shares issued as introductory fee for business transaction	15,000,000	15,000
At 31 December 2019	<u>3,341,463,202</u>	<u>46,418,835</u>

No options were exercised during the current or prior reporting period. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

7. COMMITMENTS AND CONTINGENT LIABILITIES

In November 2019 the Company announced that following a mediation in the Supreme Court of Western Australia that there has been a resolution of residual legal issues meaning there was now no active litigation against the Company.

The settlement included litigation previously announced as follows:

- (a) Supreme Court of WA proceedings being a defamation proceeding against Hock Goh, Deborah Ambrosini, Heng Yu, Darryl Moore and Peter Stern. This matter was dismissed with each party to bear their own costs and with no admission of liability by any party
- (b) a standstill agreement relating to Directors fees claims by Hock Goh, Deborah Ambrosini and Kevin Hollingsworth against the Company, Grandbridge Limited and Advent Energy Limited

Other than these there have been no other changes to commitments and contingencies that were disclosed in the 30 June 2019 Annual Financial Report.

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 7 February 2020 the Company announced that in accordance with shareholder approval received by Advent shareholders on 29 November 2019, it intends to now convert a receivable of \$162,566 into 3,251,320 shares in Advent at a conversion price of \$0.05 per share. As a result of this conversion, and another by GBA, the Company's direct shareholding in Advent increased from 22.6% to 22.7%. The conversion occurred on 11 February 2020.

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.

Notes to the Financial Statements for the half-year ended 31 December 2019
BPH Energy Ltd and its controlled entities

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	Consolidated	
	31 December 2019 (\$)	30 June 2019 (\$)
Molecular Discovery Systems Ltd	429,217	436,541
Advent Energy Limited (i)	2,558,745	-
	2,987,962	436,541

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 2019	June 2019
Molecular Discovery Systems ("MDS")	Australia	20%	20%
Advent Energy Limited ("Advent")	Australia	22.6%	22.6%

	Consolidated			
	Advent		MDS	
	31 December 2019(\$)	31 December 2018 (\$)	31 December 2019(\$)	31 December 2018 (\$)
Revenue	36	-	-	-
Profit / (loss) for the period	6,578,376	-	(36,622)	(41,930)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	6,578,376	-	(36,622)	(41,930)

Advent 2019 numbers are from 6 August 2019

	Consolidated			
	Advent		MDS	
	31 December 2019(\$)	30 June 2019 (\$)	31 December 2019(\$)	30 June 2019 (\$)
Current assets	799,711	-	1,169	955
Non-current assets	16,352,130	-	-	36,441
Current liabilities	826,255	-	895,512	888,023
Non-current liabilities	4,761,823	-	688,630	659,282
Net assets	11,563,763	-	(1,582,973)	(1,509,909)

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

	Consolidated			
	Advent		MDS	
	31 December 2019(\$)	30 June 2019 (\$)	31 December 2019(\$)	30 June 2019 (\$)
Share of the group's ownership interest in associate	2,558,745	-	(316,595)	(301,982)
Goodwill	-	-	1,487,291	1,487,291
Other adjustments	-	-	(741,479)	(748,768)
Carrying value of the group's interest in associate	2,558,745	-	429,217	436,541
Opening balance	-	-	436,541	464,547
Reclassification of fair value of investment	2,006,000	-	-	-
Share of associates profit net of impairment	552,745	-	(7,324)	(28,006)
Closing balance	2,558,745	-	429,217	436,541

- (i) As of 1 January 2017 a judgement was made that, despite owning 27% of Advent Energy Limited ("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. If an entity holds, directly or indirectly, twenty per cent or more of the voting power of an investee it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case.

On 6 August 2019 the Company entered into a Deed of Settlement and Release ("Deed") with Advent, MEC Resources Limited ("MEC"), Grandbridge Limited ("GBA"), Trandcorp Pty Ltd ("Trandcorp") and Mr David Breeze and other relevant parties. As a condition of this Deed it was agreed that Messrs Matthew Battrick and Tobias Foster would appoint Messrs Steven James, Tony Huston and Thomas Fontaine as directors of Advent, and that Messrs Matthew Battrick and Tobias Foster would then resign from the Board of Advent. The incoming directors have since confirmed and acknowledged Mr David Breeze as a duly elected director of Advent.

The existence of significant influence by an BPH over Advent from the date of the Deed is evidenced by Mr David Breeze being the Managing Director of both BPH and Advent, MEC no longer have a MEC Board position, and, if at any time before 23 July 2021 Advent has less than 51 members then MEC, who currently holds 49% of Advent will, upon written request by BPH, execute an irrevocable proxy in favour of BPH in respect of all business to be considered at any meeting of members of Advent. As a consequence the Company regained significant influence over Advent and Advent has once again been recognised as an associate of BPH from 6 August 2019.

In the June 2018 year Advent's management at that time assessed capitalised costs for impairment by reference to the value implied for the PEP 11 permit by virtue of a conditional farmin agreement entered into with RL Energy Pty Ltd. Based on this assessment the asset was

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

considered to be impaired and an adjustment to the fair value was booked at 30 June 2018. This farmin agreement was terminated on 17 September 2019 and therefore the writedown of \$18,780,680 booked to the fair value at 30 June 2018 was pre-emptive and is misleading. In the current period the Advent directors have assessed the valuation of the PEP 11 permit against what they consider a comparable transaction with the result that the 2018 year PEP 11 impairment has been reversed to the extent of \$6,882,247 resulting in the \$1,486,099 share of an associate profit recognized by BPH in the half year. Notional goodwill of \$933,354 was not brought to account on recognition of Advent as an associate again from 6 August 2019.

Advent is continually seeking and reviewing potential sources of both equity and debt funding. Advent is now embarking on a fresh marketing campaign to attract new investors and/or joint venture partners. Management has confidence that a suitable outcome will be achieved however there is no certainty at this stage that this will result in further funding being made available. Asset Energy Pty Ltd has invested over \$25 million in the PEP11 title in recent history and, along with its JV partner Bounty Oil and Gas NL, is committed to continuing to explore for and ultimately exploit any petroleum accumulations which may be identified in this title area. If Advent is unable to source further funding for each of PEP11, RL1 and EP 386 each of these permits are at risk.

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

On 17 September 2019 the Company announced that Advent has now terminated by mutual consent the RL Energy Joint Venture Agreement for the PEP11 permit. As a result Advent, through wholly owned subsidiary Asset Energy Pty Ltd, now holds an 85% interest and is operator of the permit (and RL Energy has no further interest). Bounty Oil and Gas NL (ASX: BUY) holds the remaining 15%.

Advent Energy Ltd has submitted to the National Offshore Petroleum Titles Administrator (NOPTA) an application to enable the drilling of the Baleen drill target in the PEP11 permit offshore NSW.

The PEP11 Joint Venture has reviewed the work program and now proposes to proceed with the drilling of a well at Baleen subject to approvals from NOPTA and other regulatory authorities and financing and has now made application to NOPTA to change the current Permit conditions. The current permit expiry date is in March 2021. The application to NOPTA includes the extension of the permit title for up to two years to enable the drilling and includes an application for the removal of the requirement for a 500 sq. km 3D seismic program.

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

An application has been made to the Department of Mines, Industry Regulation and Safety (DMIRS) for a two year suspension and extension of the permit commitment terms in EP386 in the onshore Bonaparte Basin in Western Australia.

Notes to the Financial Statements for the half-year ended 31 December 2019
BPH Energy Ltd and its controlled entities

10. FINANCIAL ASSETS

	Consolidated	
	31 December 2019 \$	30 June 2019 \$
<i>Current</i>		
Secured loans to other entities (interest free):		
Advent Energy Ltd	191,867	162,564
Investments in listed entities		
MEC Resources Ltd (Level 1)	27,778	27,778
	<u>219,645</u>	<u>190,342</u>
<i>Non - current</i>		
Financial assets at fair value:		
Secured loans to other entities: Cortical Dynamics Limited	-	-
Investments in unlisted entities - Cortical Dynamics Limited (Level 2)	-	501,543
Investments in unlisted entities – Advent Energy Ltd (Level 2) (i)	-	2,006,000
Investments in unlisted entities – Patagonia Genetics Limited (Level 3)	250,000	-
	<u>250,000</u>	<u>2,507,543</u>
Loan receivables are stated net of the following provisions:		
Cortical Dynamics Limited		
Gross receivable – secured	2,400,667	2,290,538
Gross receivable – unsecured	1,233,670	1,026,670
Less provision	(3,634,337)	(3,317,208)
	<u>-</u>	<u>-</u>
Molecular Discovery Systems Limited		
Gross receivable	1,137,365	1,284,517
Less provision	(1,317,365)	(1,284,517)
	<u>-</u>	<u>-</u>
Cortical Dynamics Limited		
Opening balance	501,543	501,543
Less fair value loss	(501,543)	-
Closing balance	<u>-</u>	<u>501,543</u>

An expected credit loss provision of \$317,129 was recognised during the half-year on the loans with Cortical and \$32,848 with Molecular Discovery Systems Limited.

- (i) The Company's investment in Advent Energy Limited has been treated as an associate effective from 6 August 2019, refer note 9.

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 7 to 19 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 2019 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', with a stylized flourish at the end.

D L Breeze
Executive Chairman
Perth, 28 February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BPH Energy Limited

Report on the Condensed Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of BPH Energy Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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, 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 2019 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*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 2(c) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our 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

Directors' responsibility for the half-year financial report

The directors of the company 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

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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 2019 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 company, 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 2020



B G McVeigh
Partner