

BPH ENERGY LIMITED
ACN 095 912 002

OFFER DOCUMENT

For a pro rata non-renounceable Rights Issue to Eligible Shareholders on the basis of one (1) New Share for every one (1) existing Share held by Eligible Shareholders on the Record Date at an issue price of \$0.005 per New Share to raise approximately \$1,808,000 (before costs) (**Offer**).

The Offer is partially underwritten by Grandbridge Securities Pty Ltd and Mr Fontaine, a Director of the Company.

The Offer opens on 19 January 2017 and closes at 5:00pm (WST) on 8 February 2017 (unless it is lawfully extended). Valid acceptances must be received before that time.

Applications for New Shares by Eligible Shareholders can only be made by using or following the instructions on an Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out the Eligible Shareholders' Entitlement to participate in the Offer.

Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form.

This document is not a prospectus and does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document.

The New Shares offered by this Offer Document should be considered as speculative.

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1. IMPORTANT INFORMATION

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

1.1 This document is not a prospectus

This Offer Document is dated 11 January 2017, has been prepared by BPH Energy Limited and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the ASIC. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares offered by this document.

This Offer Document including each of the documents attached to it and which form part of this Offer Document are important and should be read in their entirety prior to making an investment decision. In particular, Shareholders should refer to the risk factors set out in section 5 of this document. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser.

1.2 Section 708AA of the Corporations Act

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Class Order 08/35. In general terms, section 708AA permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Document is significantly less than the level of disclosure required in, and what you would expect in, a prospectus. Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding to accept the Offer.

1.3 Eligibility

Applications for Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

1.4 Overseas Shareholders

This Offer Document does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

The Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia and New Zealand. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than those mentioned above) having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

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New Zealand Shareholders

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

1.5 Notice to nominees and custodians

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

1.6 Privacy Act

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

2. CORPORATE DIRECTORY

Directors

David Breeze, Chairman
Thomas Fontaine, Non-Executive Director
Bruce Whan, Non-Executive Director
Greg Gilbert, Non-Executive Director

Company Secretary

David Breeze

Registered Office

14 View Street
North Perth WA 6006

Telephone: + 61 8 9328 8366
Facsimile: +61 8 9328 8733

Email: admin@bphenergy.com.au
Website: www.bphenergy.com.au

ASX Code

BPH

Share Registry*

Advanced Share Registry
110 Stirling Highway
Nedlands WA 6009

Legal Advisers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Auditor*

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Underwriters

Grandbridge Securities Pty Ltd
14 View Street
North Perth WA 6006

and

Thomas Fontaine

*These parties have been included for information purposes only. They have not been involved in the preparation of this Offer Document.

3. DETAILS OF THE OFFER

3.1 The Offer

The Offer is being made as a non-renounceable entitlement offer of one (1) New Share for every one (1) Share held by Eligible Shareholders registered at the Record Date at an issue price of \$0.005 per Share.

Based on the capital structure of the Company as set out in Section 3.6 of this Offer Document, a maximum of approximately 361,600,549 Shares will be issued pursuant to this Offer to raise up to approximately \$1,808,000.

As at the date of this Offer Document, the Company has 15,042,500 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to section 3.7 of this Offer Document for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Offer Document will rank equally with the Shares on issue at the date of this Offer Document.

The Directors may at any time decide to withdraw this Offer Document and the offer of Shares made under this Offer Document in which case the Company will return all Application monies (without interest) within 28 days of giving such notice of withdrawal.

3.2 Use of Funds

The purpose of the Offer is to raise up to approximately \$1,808,000 (before the payment of costs associated with the Offer).

The Company intends to apply funds raised under the Offer as follows:

Items of Expenditure	\$	%
Cortical Dynamics Investment	680,000	38%
Investment in oil and gas	680,000	38%
HLS5 Investment	50,000	3%
Working capital ¹	378,002	20%
Expenses of the Offer	20,000	1%
Total²	1,808,002	100%

Note:

1. Funds allocated to working capital will be used for administration expenses of the Company over the next 15 months, including administration fees and other administration and obligatory overheads.
2. The amount of funds raised will be reduced by a total of \$286,650 due to offsets against loans granted by the Company to Directors and the Underwriters. The Company has agreed to offset Mr Breeze and Mr Fontaine's Entitlements totalling \$100,689 and, in the event of a Shortfall, to offset the Underwriters' commitments totalling \$185,961. The effect on the Offer will be that the total funds raised will be reduced to \$1,521,352 (before costs). For further details, refer to section 3.7 and 3.11 below.

The above table is a statement of the Board's current intentions as at the date of this Offer Document. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change

depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

3.3 Indicative Timetable

Company Announce Rights Issue	23 December 2016
Lodgement of Offer Document, Appendix 3B and s708AA Cleansing Notice with ASX (prior to the commencement of trading)	11 January 2017
Notice sent to security holders	12 January 2017
Ex date	13 January 2017
Record Date for determining Entitlements	16 January 2017
Offer Document sent out to Eligible Shareholders & Company announces this has been completed & Offer Opening Date	19 January 2017
Last day to extend Offer Closing Date	3 February 2017
Closing Date	8 February 2017
Shares quoted on a deferred settlement basis	9 February 2017
ASX notified of under subscriptions	13 February 2017
Issue date/Shares entered into Shareholders' security holdings	15 February 2017
Quotation of Shares issued under the Offer	16 February 2017

* Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.

** These dates are indicative only and are subject to change.

3.4 Entitlements and acceptance

Details of how to apply under the Offer are set out in Section 4 of this Offer Document.

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document.

You can also apply for Additional Shares under the Shortfall Offer in addition to your Entitlement by following the instructions set out in Section 4. The Shortfall Offer is described in Section 4.5 below.

3.5 No rights trading

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

3.6 Capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, is set out below.

Shares	Number
Shares currently on issue	361,600,549
New Shares offered pursuant to the Offer	361,600,549
Total Shares on issue after completion of the Offer	723,201,098

Options

Options	Number
Options currently on issue:	
Unquoted exercisable at \$0.08 on or before 30 June 2018	1,075,000
Unquoted exercisable at \$0.02 on or before 31 March 2020	9,967,500
Unquoted exercisable at \$0.02 on or before 30 November 2020	2,000,000
Unquoted exercisable at \$0.02 on or before 30 November 2021	2,000,000
Total	15,042,500

The capital structure on a fully diluted basis as at the date of this Offer Document would be 376,643,049 Shares and on completion of the Offer (assuming all Entitlements are accepted) would be 738,243,598 Shares.

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

3.7 Underwriting

The Offer is partially underwritten by Grandbridge Securities Pty Ltd (ACN 087 432 353) (**Grandbridge**) (a wholly owned subsidiary of Grandbridge Limited) up to an amount of \$175,000 and Thomas Fontaine, a director of the Company, up to an amount of \$10,961 (**Underwriters**).

The Company has entered into underwriting agreements with the Underwriters (**Underwriting Agreements**), the material terms of which are summarised below.

Pursuant to the Underwriting Agreements, the Company has agreed to pay each of the Underwriters an underwriting fee of 5% of the value of their underwritten securities.

The obligation of the Underwriters to underwrite the Offer is subject to certain events of termination. The Underwriters may terminate its obligations under their respective Underwriting Agreements if:

- (a) **Offer Document:** any of the following occurs in relation to the Offer Document:
 - (i) it is not lodged with ASX in accordance with the timetable (or such later date agreed in writing by the Underwriter);
 - (ii) the Underwriter reasonably forms the view that there is a material omission, it contains a material statement which is

misleading or deceptive, or a material statement has become misleading or deceptive;

- (iii) the Underwriter reasonably forms the view that any projection or forecast in the Offer Document becomes, to a material extent, incapable of being met or unlikely to be met in the projected time; or
 - (iv) any person other than the Underwriters who consent to being named in the Offer Document withdraws that consent;
- (b) **ASX listing:** ASX does not give approval for the Shares to be listed for official quotation, or if approval is granted, the approval is subsequently withdrawn, qualified or withheld;
 - (c) **Index changes:** the S&P / ASX All Ordinaries Index (ASX Code: BHP) falls more than 10% from the date of the Underwriting Agreement for a period of 3 continuous business days;
 - (d) **indictable offence:** a director of the Company or any related corporation is charged with an indictable offence;
 - (e) **return of capital or financial assistance:** the Company or a related corporation takes any steps to undertake a proposal contemplated under section 257A of the Corporations Act or passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriter;
 - (f) **banking facilities:** the Company's bankers terminating or issuing any demand or penalty notice or amending the terms of any existing facility or claiming repayment or accelerated repayment of any facility or requiring additional security for any existing facility;
 - (g) **alteration of capital structure or constitution:** except as described in this Offer Document, the Company alters its capital structure or its Constitution without the prior written consent of the Underwriter;
 - (h) **hostilities:** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Letter Agreement involving one or more of Australia, Philippines, Indonesia, Japan, Russia, the United Kingdom, the United States of America, or the Peoples Republic of China, other than hostilities involving Afghanistan or Iraq, any country bordering Afghanistan or Iraq or any Arab country (being a country the majority of whose inhabitants are of Arab ethnicity);
 - (i) **extended Force Majeure:** a force majeure which prevents or delays an obligation under the Underwriting Agreement, lasting in excess of 2 weeks occurs;
 - (j) **default:** the Company is in material default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under the Underwriting Agreement (in any material respect);
 - (k) **adverse change:** any adverse change occurs which materially impacts or is likely to impact the assets, operational or financial position of the Company or a related corporation (including but not limited to an

administrator, receiver, receiver and manager, trustee or similar official being appointed over any of the assets or undertaking of the Company or a related corporation);

- (l) **investigation:** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or a related corporation;
- (m) **due diligence:** there is a material omission from the results of the due diligence investigation performed in respect of the Rights Issue or the results of the investigation or the verification material are false or misleading;
- (n) **Prescribed Occurrence:** a prescribed occurrence (as defined in the Underwriting Agreement) occurs, other than as disclosed in this Offer Document;
- (o) **Suspension of debt payments:** the Company suspends payment of its debts generally;
- (p) **Event of Insolvency:** an event of insolvency (as defined in the Underwriting Agreement) occurs in respect of a related corporation; or
- (q) **Judgment against a Related Corporation:** a judgment in an amount exceeding \$100,000 is obtained against the Company or a related corporation and is not set aside or satisfied within 7 days.
- (r) The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

3.8 Management Agreement

The Company and Grandbridge have entered into a management agreement dated on or about 10 January 2017 pursuant to which Grandbridge will provide project management services and preparation and co-ordination of the Rights Issue. The Company will pay Grandbridge a management fee of 1.5% on the total funds raised by Grandbridge.

3.9 Effect on control of the Company and potential dilution to Shareholders

Grandbridge is a minority shareholder of the Company (holding 0.94% in its own right) and together with David Breeze's relevant interest, the total voting power of Grandbridge and David Breeze in the Company is 6.3%. Grandbridge is a related party of the Company for the purpose of the Corporations Act. David Breeze, a Director of the Company, is a director of Grandbridge and has a voting power of 32.14% in Grandbridge Limited.

Thomas Fontaine is a shareholder and related party of the Company by virtue of being a Director. Mr Fontaine has a relevant interest in the Company of 0.60%.

The Underwriters will not acquire an interest greater than 20% if they are required to subscribe for their full underwriting commitment.

The number of Shares that may be held by the Underwriters and their voting power is set out in the table below and shows the potential effect of the underwriting of the Offer. However, it is unlikely that no shareholders will take up entitlements under the Offer. The underwriting obligation and therefore voting

power of the Underwriters will change by a corresponding amount for the amount of entitlements under the Offer taken up by the other shareholders.

Event	Shares held by Grandbridge Limited	% interest of Grandbridge Limited in Shares (held directly)	Shares held by Fontaine	Voting power of Fontaine
Date of Offer Document	3,389,100	0.94%	2,192,223	0.60%
Fully subscribed	6,778,200	0.94%	4,384,446	0.60%
93.32% (or less) subscribed	41,778,200	5.78%	6,576,669	0.90%

In addition, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 50% (as compared to their holdings and number of Shares on issue as at the date of this Offer Document).

Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Holding as at Record date	Approximate % at Record Date ¹	Entitlements under the Offer	Holdings if Offer not taken Up	Approximate % post Offer
Shareholder 1	25,000,000	6.91%	25,000,000	25,000,000	3.46%
Shareholder 2	15,000,000	4.15%	15,000,000	15,000,000	2.07%
Shareholder 3	10,000,000	2.77%	10,000,000	10,000,000	1.38%
Shareholder 4	1,000,000	0.28%	1,000,000	1,000,000	0.14%
Shareholder 5	100,000	0.03%	100,000	100,000	0.014%

Notes:

1. This is based on a share capital of 361,600,549 Shares at the date of this Offer Document.

3.10 Directors Interests and Participation

Each Director's relevant interest in the securities of the Company at the date of this Offer Document and their Entitlement is set out in the table below.

Director	Shares	Voting Power (%)	Entitlement	\$
D Breeze	17,945,643	4.96%	17,945,643	\$89,728
T Fontaine ¹	2,192,223	0.60%	2,192,223	\$10,961
B Whan ²	Nil	N/A	N/A	N/A
G Gilbert	480,769	0.13%	480,769	\$2,404

Notes:

1. Mr Fontaine holds 2,000,000 options exercisable at \$0.02 on or before 30 November 2020 which will provide an additional Entitlement should they be exercised prior to the Record Date.
2. Mr Whan holds 2,000,000 options exercisable at \$0.02 on or before 31 March 2020 which will provide an additional Entitlement should they be exercised prior to the Record Date.
3. Mr Gilbert holds 2,000,000 options exercisable at \$0.02 on or before 30 November 2021 which will provide an additional Entitlement should they be exercised prior to the Record Date.
4. Each of Messrs Breeze, Gilbert and Fontaine have agreed to take up their Entitlements in full.

3.11 Offset Arrangements

The Company has agreed to offset debts owed to related parties including Grandbridge Limited as set out below:

(a) **Mr David Breeze**

Mr Breeze, a related party of the Company by virtue of being a Director, is currently owed funds by the Company in relation to a loan arrangement (**Loan**). As at 31 October 2016, the total amount owing to Mr Breeze by the Company equates to \$250,793.

The Company and Mr Breeze have agreed that part of the outstanding Loan shall be applied towards Mr Breeze's Entitlement of up to 17,945,643 Shares being to the value of \$89,728. Any remaining balance outstanding after the Loan has been applied towards the Entitlement shall be repaid by the Company to Mr Breeze in accordance with existing loan arrangements.

(b) **Mr Thomas Fontaine**

Mr Fontaine, a related party of the Company by virtue of being a Director, is currently owed funds by the Company in relation to a loan arrangement (**Loan**). As at the date of this Offer Document, the total amount owing to Mr Fontaine by the Company equates to \$37,500.

The Company and Mr Fontaine have agreed that part of the outstanding Loan shall be applied towards Mr Fontaine's Entitlement of up to 2,192,223 Shares being to the value of \$10,961. In the event of a shortfall, part of the outstanding Loan will also be applied towards Mr Fontaine's underwriting commitment up to \$10,961. Any remaining balance outstanding after the Loan has been applied towards the Entitlement and Mr Fontaine's underwriting commitment shall be repaid by the Company to Mr Fontaine in accordance with existing loan arrangements.

(c) **Grandbridge Limited**

Grandbridge Limited is currently owed funds by the Company in relation to a loan arrangement. As at 31 October 2016, the total amount owing to Grandbridge Limited by the Company equates to \$475,313.

The Company and Grandbridge Limited have agreed that part of the outstanding loan shall be applied towards Grandbridge Limited's Entitlement of up to 3,389,100 Shares being to the value of \$16,945.50. In the event of a shortfall, part of the outstanding Loan will also be applied towards Grandbridge's underwriting commitment up to \$175,000. Any remaining balance outstanding after the loan has been applied towards Grandbridge Limited's Entitlement and underwriting commitment shall be repaid by the Company to Grandbridge in accordance with existing loan arrangements.

3.12 Effect of the Offer

The principal effect of the Offer, assuming all Shares offered under the Offer Document are issued, will be to:

- (a) increase the cash reserves by \$1,788,002 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 361,600,549 as at the date of this Offer Document to 723,201,098 Shares.

3.13 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document and the respective dates of those sales were:

	(\$)	Date
Highest	0.008	17 November 2016
Lowest	0.004	18 October 2016 and 6 and 9 January 2017
Last	0.004	9 January 2017

3.14 Opening and Closing Dates

The Offer opens on the Opening Date, being 19 January 2017 and closes on the Closing Date, being 5:00pm (WST) on 8 February 2017 (or such other dates as the Directors in their discretion shall determine subject to the ASX Listing Rules). The Company will accept Entitlement and Acceptance Forms until the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the ASX Listing Rules.

3.15 Issue and dispatch

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the indicative timetable set out in Section 3.3 of this Offer Document. Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis.

Pending the issue of the Shares or payment of refunds pursuant to this Offer Document, all Application monies will be held by the Registry in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the

bank account and each Applicant waives the right to claim interest by completing and returning the Entitlement and Acceptance Form.

The expected dates for issue of New Shares offered by this Offer Document and dispatch of holding statements is expected to occur on the dates specified in the Timetable set out in Section 3.3 of this Offer Document.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

3.16 ASX listing

Application for official quotation by ASX of the New Shares offered pursuant to this Offer Document will be made.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

3.17 CHESS

The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.18 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are non-exhaustive. Please refer to Section 5 of this Offer Document for further details.

3.19 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

3.20 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website www.bphenergy.com.au or the ASX www.asx.com.au.

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors’ statement and report, and an audit report or review. These reports are released to ASX and published on the Company’s and the ASX websites.

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

3.21 Enquiries concerning Offer Document

Enquiries relating to this Offer Document should be directed to the Company on +61 8 9328 8366.

4. ACTION REQUIRED BY SHAREHOLDERS

4.1 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. You may participate in the Offer as follows:

- (a) **if you wish to accept your Entitlement in full:**
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque or arrange payment by BPAY® for the amount indicated on the Entitlement and Acceptance Form; or
- (b) **if you only wish to accept part of your Entitlement:**
 - (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.005 per New Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Your completed Entitlement and Acceptance Form and payment must reach the Registry no later than 5:00pm (WST) on the Closing Date.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

4.2 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Offer Document and the accompanying Entitlement and Acceptance Form, and read them both in their entirety; and
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application monies, the Application may not be varied or withdrawn except as required by law.

4.3 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "BPH Energy Limited Trust Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry at the address set out on the Entitlement and Acceptance Form by no later than 5:00pm WST on the Closing Date.

4.4 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 2:00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

4.5 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Offer Document and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.005 being the price at which Shares have been offered under the Offer.

The Directors reserve the right to issue Shortfall Shares at their absolute discretion. Accordingly, do not apply for Shortfall Shares unless instructed to do so by the Directors.

5. RISK FACTORS

5.1 Introduction

The Shares offered under this Offer Document should be considered speculative because of the nature of the Company's business.

There are numerous risk factors involved with the Company's business. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade.

The following is a summary of the more material matters to be considered. However, this summary is not exhaustive and potential investors should examine the contents of this Offer Document in its entirety and consult their professional advisors before deciding whether to apply for the New Shares.

5.2 Key investment risks

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. Prospective investors should read this Offer Document in its entirety before deciding whether to apply for Shares under this Offer Document.

These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Offer Document.

5.3 Company specific Risks

Dilution risk

Upon completion of the Offer, assuming the Offer is fully subscribed and no Options exercised, the number of Shares in the Company will increase from 361,600,549 Shares currently on issue to 723,201,098 Shares. This means that each Share will represent a lower proportion of the ownership of the Company.

If these Options currently on issue convert into Shares there will be a dilution of the Company's existing Shareholders. However, upon exercise, the Company will receive additional funds depending on the number of Options exercised and the exercise price of the Options.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the prospectus being lodged of \$0.004 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

5.4 Industry specific risks

(a) Development and commercialisation of technologies

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

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

Although the Company is not aware of any third party interests in relation to the Technologies rights of the Technologies, and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological and medical discoveries, and if any disputes arise, they could adversely affect the Company.

Although the Company will implement all reasonable endeavours to protect its Technologies, there can be no assurance that these measures have been, or will be sufficient.

(b) Research and development

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

There are many risks inherent in the development of biotechnology products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons

(c) **Oil & gas industry risks**

Significant investment: the Company has a 27% interest in Advent Energy (**Advent**). Risks associated with this significant investment include:

- (i) **Illiquid investment:** as Advent is an unlisted entity, there is a risk that there will not be a ready market for the Company to sell its Advent Energy shares.
- (ii) **No controlling interest:** the Company's current interest in Advent means the Company does not have a controlling interest and accordingly the Company does not have the capacity to determine the outcome of decisions about Advent Energy's financial and operating policies.
- (iii) **Oil and gas exploration:** the business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. A failure to discover an economic reserve, or to successfully produce from such a reserve, will adversely affect Advent Energy's performance and have a resulting effect on the value of the Company's investment in Advent Energy.
- (iv) **Oil and gas price volatility:** fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas, may have a material adverse effect on Advent's business and therefore the value of the Company's investment in Advent Energy.
- (v) **Exploration and production licences:** Advent's operations are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents, which may be withdrawn or made subject to limitations. There is no guarantee that, upon completion of any exploration, a production licence will be granted with respect to exploration territory. There can also be no assurance that any exploration permit will be renewed or if so, on what terms.

These licences place a range of past, current and future obligations on Advent. In some cases, there could be adverse consequences for breach of these obligations, ranging from penalties to, in extreme cases, suspension or termination of the relevant licence or related contract. These may then affect the Company's investment in Advent Energy.

- (vi) **Expansion targets and operational delays:** There can be no assurance that Advent will be able to complete any development of its properties on time or to budget, or that the current personnel, systems, procedures and controls will be adequate to support Advent's operations. Any failure of management to identify problems at an early stage could have an adverse impact on Advent's financial performance.
- (vii) **Resources, reserves and production:** The figures for oil & gas reserves and resources presented in this Prospectus are estimates and no assurance can be given that the anticipated tonnages will be achieved or that the indicated level of

recovery will be realised. Market fluctuations in the price of oil & gas may render oil & gas reserves and resources uneconomical. Moreover, short-term operating factors relating to oil & gas reserves and resources, such as the need for orderly development of an oil & gas reservoir may cause an oil & gas operation to be unprofitable in any particular accounting period.

- (viii) **Limited operating history:** Advent may not have assets producing positive cash flow and its ultimate success may depend on its ability to generate cash flow from active oil & gas operations in the future and its ability to access equity markets for its development requirements. Advent has not made profits to date and there is no assurance that it will do so in the future. A portion of Advent's activities will be directed to the search for and the development of new oil & gas deposits. Significant capital investment will be required to achieve commercial production from Advent's existing projects and from successful exploration efforts. There is no assurance that Advent will be able to raise the required funds to continue these activities.
- (ix) **Additional financing:** Advent is required to fund its share of approved exploration expenditure on certain of the properties on which it has exploration rights, failing which Advent's exploration rights in the relevant property may be either reduced or forfeited. Advent may acquire exploration rights in other exploration properties which may require acquisition payments to be made and exploration expenditures to be incurred. The only sources of funding currently available to Advent are through the issue of additional equity capital, project finance or borrowing. There is no assurance that Advent will be successful in raising sufficient funds to commence drilling or production operations or to meet its obligations with respect to the exploration properties in which it has or may acquire exploration rights. The Directors currently believe that Advent's working capital (assuming full subscription) will not be sufficient to fund operations through. Advent Energy will therefore have to seek additional financing for operations at a later date.
- (x) **Regulatory approvals:** Advent's operations and the exploration agreements which it has entered into require approvals, licences and permits from various regulatory authorities, governmental and otherwise (including project specific governmental decrees). Such approvals, licences and permits are subject to change in various circumstances and further project specific governmental decrees and/or legislative enactments may be required. There can be no guarantee that Advent will be able to obtain or maintain all necessary approvals, licences and permits that may be required and/or that all project specific governmental decrees and/or required legislative enactments will be forthcoming to explore for oil & gas and develop the properties on which it has exploration rights, commence construction or operation of production facilities or to maintain continued operations that economically justify the costs involved.

- (xi) **Environmental factors:** Advent's operations are subject to environmental regulation (including regular environmental impact assessments and the requirement to obtain and maintain certain permits) in all the jurisdictions in which it operates. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and health and safety. Advent may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and permitting requirements are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.
- (xii) **Competition:** The oil & gas exploration and production business is competitive in all of its phases. Advent competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than itself, in the search for and acquisition of exploration and development rights on attractive oil & gas properties. Advent's ability to acquire exploration and development rights on properties in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on suitable properties for exploration and development. There is no assurance that Advent will continue to be able to compete successfully with its competitors in acquiring exploration and development rights on such properties.
- (xiii) **Currency risk:** Currency fluctuations may affect the cash flow that Advent hopes to realise from its operations, as oil & gas is sold and traded on the world markets in United States dollars. Advent's costs are incurred primarily in Australian dollars and United States dollars.
- (xiv) **Uninsured risks:** Advent Energy, as a participant in exploration and mining programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Advent Energy may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.
- (xv) **Areas of investment risk:** It is the intention of Advent Energy's Directors to seek a listing of Advent Energy's shares on an international financial exchange as appropriate, however there is no guarantee that this will occur. The share prices of publicly quoted companies can be volatile. The price of shares is dependent upon a number of factors some of which are general or market or sector specific and others that are specific to Advent Energy.

Although Advent Energy's shares are intended to be traded on a securities exchange, this should not be taken as implying that Advent will be successful in being admitted to the Official List of the ASX or another exchange, or that there will always be a liquid market in its securities. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore, an investment in Advent Energy's shares may be difficult to realise and the share price may be subject to greater fluctuations than might otherwise be the case. An investment in shares quoted on a particular exchange may carry a higher risk than an investment in shares quoted on other securities exchanges. Any exchange's future success and liquidity in the market for Advent Energy's shares cannot be guaranteed. The value of Advent Energy's shares may be volatile and may go down as well as up and the Company may therefore not recover their original investment.

The market price of Advent Energy's shares may not reflect the underlying value of Advent Energy's net assets. The price at which the Company may dispose of its Advent shares may be influenced by a number of factors, some of which may pertain to Advent Energy and others of which are extraneous. On any disposal of its Advent shares, the Company may realise less than the original amount invested.

- (xvi) **Market perception:** Market perception of small oil & gas exploration companies may change and this could impact on the value of the Company's holdings and impact on Advent's ability to raise further equity capital.
- (d) **Unitisation:** In the case of any cross-border discovery or cross permit discovery involving another permit holder, the Company will be required to share production in accordance with the requirements of the relevant regulatory authorities of Western Australia, and/or the Northern Territory, and/or South Australia, and/or New South Wales, or of any relevant unitisation agreements agreed to between the parties, as the case may be.
- (e) **Nature of BPH's existing investments**

The Company's existing investments include a \$14.3 million equity investment in Advent Energy Ltd, a 20% interest in MDSystems and a 3.89% interest in Cortical Dynamics Ltd. BPH can increase its holding in Cortical to 15% by conversion of \$1.5m of debt. The Company can make no representations that any of these projects will be successful, that the Company's development milestones will be achieved or that it will develop products that are commercially exploitable. Further, the Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent positions of biotechnology companies can be highly uncertain and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in medical device patents, nor their enforceability, can be predicted. There can be no assurance that any patents the Company may own or control or license now and in the future will afford the Company commercially significant protection of its intellectual property or its projects or have commercial application. While the Company is not aware of any third party interests in its

intellectual property rights and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological and medical discoveries and if any such disputes arise, they could adversely affect the Company.

(f) **Regulatory risk**

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

(g) **Potential acquisitions**

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

5.5 **General Risks**

(a) **Additional requirements for capital**

The funds raised under the Offer are considered sufficient to meet the current proposed objectives of the Company. Additional funding may be required in the event future costs exceed the Company's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

The Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(b) **General economic conditions**

Economic conditions, both domestic and global, may affect the performance of the Company. Factors such as fluctuations in currencies, commodity prices, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenues and Share price can be affected by these factors, all of which are beyond the control of the Company or its Directors.

(c) **Equity market conditions**

Securities listed on the stock market can experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. The market price of Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

General factors that may affect the market price of Shares include economic conditions in both Australia and internationally (particularly Australian, US and Chinese economic conditions), investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

(d) **Change in government policy and legislation**

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

(e) **Reliance on key management and personnel**

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

(f) **Market conditions**

The market price of the Company's Securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in biomedical development stocks in particular.

Accordingly, investors should recognise that the price of the Securities may fall as well as rise. In particular, the trading price of Shares at any given time may be higher or lower than the price paid under the Offer. Neither the Company nor the Directors warrant the future performance of the Company or any return on the Company's Securities.

(g) **Insurance**

The Company will have insurance in place considered appropriate for the Company's needs. The Company will not be insured against all

possible losses, either because of the unavailability of cover or because the Directors believe the premiums are excessive relative to the benefits that would accrue. The Directors believe that the insurance the Company has in place is appropriate. The Directors will continue to review the insurance cover in place to ensure that it is adequate.

(h) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

5.6 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Offer Document. Therefore, the securities to be issued pursuant to this Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Offer Document.

6. **DEFINED TERMS**

\$ or A\$ means an Australian dollar.

Additional Shares means those New Shares not issued under the Offer.

Applicant refers to a person who submits an Entitlement and Acceptance Form, or submits a payment of subscription monies in respect of the Offer.

Application refers to the submission of an Entitlement and Acceptance Form or Shortfall Application Form (as the case may be).

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules means the Listing Rules of the ASX.

Closing Date means the closing date set out in Section 3.3 or such other date as may be determined by the Directors.

Company means BPH Energy Limited (ACN 095 912 002).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the directors of the Company.

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand.

Entitlement means the entitlement to subscribe for one (1) New Share for every one (1) Share held by an Eligible Shareholder on the Record Date.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

New Share means a new Share proposed to be issued pursuant to this Offer.

Offer or Rights Issue means the pro rata non-renounceable offer of New Shares at an issue price of \$0.005 each on the basis of one (1) New Share for every one (1) Share held on the Record Date subscribed for pursuant to this Offer Document.

Offer Document means this Offer Document.

Opening Date means the opening date set out in Section 3.3 of this Offer Document.

Record Date means the record date set out in Section 3.3 of this Offer Document.

Section means a section of this Offer Document.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a holder of Shares.

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Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Offer means as defined in Section 4.5 of this Offer Document.

Technologies means novel anti-mitotic cancer therapeutic, HLS5, Brain Anaesthesia Monitor.