

BPH ENERGY LIMITED
ACN 095 912 002

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of one (1) Share for every one (1) Share held by those Shareholders registered at the Record Date at an issue price of \$0.002 per Share to raise up to approximately \$1,177,404 (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

David Breeze, Chairman
Charles Maling, Non-Executive Director
Anthony Huston, Non-Executive Director

Share Registry*

Advanced Share Registry Limited
110 Stirling Highway
Nedlands WA 6009

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

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

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2. TIMETABLE

| | |
|---|------------------|
| Lodgement of Prospectus with the ASIC | 22 November 2017 |
| Lodgement of Prospectus & Appendix 3B with ASX | 22 November 2017 |
| Notice sent to Optionholders | 22 November 2017 |
| Notice sent to Shareholders | 24 November 2017 |
| Ex date | 27 November 2017 |
| Record Date for determining Entitlements | 28 November 2017 |
| Prospectus sent out to Shareholders & Company announces this has been completed | 1 December 2017 |
| Last day to extend Offer Closing Date | 13 December 2017 |
| Closing Date* | 18 December 2017 |
| Shares quoted on a deferred settlement basis | 19 December 2017 |
| ASX notified of under subscriptions | 21 December 2017 |
| Issue date/Shares entered into Shareholders' security holdings | 27 December 2017 |
| Quotation of Shares issued under the Offer* | 28 December 2017 |

*The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. CHAIRMAN'S LETTER

Dear Shareholders,

On behalf of the directors of BHP Energy Limited (**Company**), I am delighted to offer you the opportunity to participate in the Offer.

The Company is seeking to raise up to approximately \$1.1 million through an issue of up to 588,702,017 Shares at a price of \$0.002 per Share.

Funds raised from the Offer will be used towards the Company's existing investments in its oil and gas projects through Advent Energy Limited (**Advent**) and MEC Resources Limited (**MEC**), and its biotechnology investments through Cortical Dynamics Limited (**Cortical**) as well as the expenses of the Offer and working capital.

The Company will continue to offer joint venture and transaction funding proposals to Advent. In particular, its proposals involving funding initiatives for each of Advent's projects in PEP11 and the Bonaparte.

Further, the Company will continue to offer funding proposals to MEC despite ongoing legal actions by MEC.

The Company will also continue to look at other oil and gas opportunities and the funding of its technology initiatives through Cortical.

You should read this Prospectus carefully and in its entirety before deciding whether or not to participate in the Offer. In particular, you should consider the key risk factors included in Section 8 of this Prospectus. Shareholders who have any queries about the Offer should contact the Company at any time from 8:30am to 5:00pm (WST) during the Offer period.

An Application Form is to be completed in accordance with the instructions provided.

Shareholders who do not take up all or any part of their Entitlements will not receive any payment or value in respect of those Entitlements and their equity interest in the Company will be diluted.

On behalf of the Board, I invite you to consider this investment opportunity and thank you for your ongoing support of our Company.

Yours sincerely,

David Breeze
Chairman

4. IMPORTANT NOTES

This Prospectus is dated 22 November 2017 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

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

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

4.1 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 8 of this Prospectus. 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 Prospectus.

A summary of some of the Company's key specific risks include:

| Risk | Description | Reference in Prospectus |
|--------------------|--|-------------------------|
| Going Concern Risk | The Company's audited financial report for the year ended 31 June 2017 includes a note to the financial statements on the financial condition of the Company and the existence of a material uncertainty about the Company's ability to continue as a going concern. Notwithstanding the 'going concern' paragraph included in the financial report, the Directors have stated that they have reviewed their expenditure and commitments and have implemented methods of costs reduction. The directors are satisfied that, the going concern basis of preparation is appropriate. | Section 8.2(a) |

| Risk | Description | Reference in Prospectus |
|---|---|-------------------------|
| Additional Requirements for Capital | <p>The audited financial report for the year ended 31 June 2017 also notes that <i>"The consolidated entity is involved in a legal dispute with MEC Resources Ltd. Should the consolidated entity not be successful in raising additional funds through the issue of new equity, should the need arise, or should there be an unfavourable outcome in the legal dispute with MEC Resources Ltd, this may cast 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."</i></p> <p>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.</p> | Section 8.2(b) |
| Potential for significant dilution | <p>Upon implementation of the Offer, assuming all Entitlements are accepted the number of Shares in the Company will increase from 588,702,017 currently on issue to 1,177,404,034. This means that each Share will represent a significantly lower proportion of the ownership of the Company. 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</p> | Section 8.2(c) |
| Development and commercialisation of technologies | <p>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.</p> | Section 8.3(a) |
| Research and development | <p>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</p> | Section 8.3(b) |
| Oil and gas industry risks | <p>The Company has a 25% interest in Advent Energy Ltd (Advent). Risks associated with this significant investment include, but are not limited to risks associated with failure to discover an economic reserve or successfully produce from a reserve, fluctuations in oil and gas prices, no guarantee of permit renewals or granting of production licences, all of which could have a material adverse effect on the Company's investment.</p> | Section 8.3(c) |

| Risk | Description | Reference in Prospectus |
|--|--|-------------------------|
| Nature of the Company's existing investments | The Company's existing investments include its equity investment in Advent with a carrying value of \$3.00 million, a 20% interest in MDSystems with a carrying value of \$0.49 million and a 4.49% interest and the right to go up to approximately 13% in Cortical Dynamics Ltd. 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. | Section 8.3(d) |

4.2 Directors Interests in Securities

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

| Director | Shares | Options | Entitlement | \$ |
|----------------|------------|---------|-------------|-----------|
| David Breeze | 77,669,486 | Nil | 77,669,486 | \$155,339 |
| Charles Maling | 11,134 | Nil | 11,134 | \$22 |
| A Huston | Nil | Nil | N/A | N/A |

The Board recommends all Shareholders take up their Entitlement and advises that all Directors intend to take up their respective Entitlements. Mr Breeze will offset his Entitlement according to the arrangements set out in section 6.3.

4.3 Details of substantial holders

Based on publicly available information as at 30 June 2017, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

| Shareholder | Shares | % |
|--------------------------------|------------|-------|
| Grandbridge Securities Pty Ltd | 35,000,000 | 5.95% |
| Trandcorp Pty Ltd | 32,416,664 | 5.51% |

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

4.4 Underwriting

The Offer is not underwritten.

4.5 Management Agreement

The Company and Grandbridge Securities Pty Ltd (**Grandbridge**) have entered into a management agreement dated on or about 20 November 2017 pursuant to which Grandbridge will provide project management services and preparation and co-ordination of the Offer. The Company will pay Grandbridge a

management fee of 1.5% on the total funds raised by Grandbridge. Mr David Breeze is a director of Grandbridge.

4.6 Effect on control of the Company

Grandbridge (a wholly owned subsidiary of Grandbridge Limited) and Trandcorp Pty Ltd (**Trandcorp**) are substantial shareholders of the Company and at the date of this Prospectus, Grandbridge holds 5.95% in its own right and Trandcorp holds 5.51% in its own right) and together with David Breeze's and Grandbridge's relevant interest, the total voting power of Grandbridge, Trandcorp and David Breeze (**Mr Breeze and Associates**) in the Company is 13.19%. Grandbridge and Trandcorp are related parties of the Company for the purposes of the Corporations Act. David Breeze, a Director of the Company, is a director of Grandbridge and Trandcorp. Mr Breeze has a voting power of 32% in Grandbridge and 100% in Trandcorp.

Mr Breeze and Associates will only take up their Entitlements under the Offer provided that by taking up that Entitlement, their combined interest is not greater than 20%. Their present relevant interest and changes under several scenarios are set out in the table below.

| Event | Shares held by Mr Breeze and Associates | Voting power of Mr Breeze and Associates |
|---|---|--|
| Date of Prospectus | 77,669,486 | 13.19% |
| • 100% subscribed | 155,338,972 | 13.19% |
| • 75% subscribed | 155,338,972 | 15.08% |
| • 50% subscribed | 155,338,972 | 17.59% |
| • 26.39% subscribed (being Mr Breeze and Associates' Entitlement and no other shareholders subscribe under the Offer) | 155,338,972 | 20.88% |

It is unlikely that no shareholders, other than Mr Breeze and Associates, take up their Entitlements under the Offer. The Entitlements taken up and therefore the voting power of Mr Breeze and Associates will be reduced by a corresponding amount for the amount of Entitlements under the Offer taken up by the other shareholders.

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 the Prospectus). Examples of how the dilution may impact Shareholders is set out in the table below:

| Holder | Holding as at Record date | % at Record Date | Entitlements under the Offer | Holdings if Offer not taken Up | % post Offer |
|-------------------------|---------------------------|------------------|------------------------------|--------------------------------|--------------|
| Shareholder 1 | 50,000,000 | 8.49% | 50,000,000 | 50,000,000 | 4.25% |
| Shareholder 2 | 25,000,000 | 4.25% | 25,000,000 | 25,000,000 | 2.12% |
| Shareholder 3 | 15,000,000 | 2.55% | 15,000,000 | 15,000,000 | 1.27% |
| Shareholder 4 | 10,000,000 | 1.70% | 10,000,000 | 10,000,000 | 0.85% |
| Shareholder 5 | 5,000,000 | 0.85% | 5,000,000 | 5,000,000 | 0.42% |
| Total holdings on issue | 588,702,017 | | 588,702,017 | 1,177,404,034 | |

Notes:

1. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

4.7 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 lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

| | | |
|---------|---------|---|
| Highest | \$0.003 | 4 October, 18-24 October, 13-15 November 2017 |
| Lowest | \$0.002 | 22 August – 18 October, 25 October – 13 November, 16 – 20 November 2017 |
| Last | \$0.002 | 21 November 2017 |

5. DETAILS OF THE OFFER

5.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of one (1) Share for every one (1) Share held by Shareholders registered at the Record Date at an issue price of \$0.002 per Share.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of 588,702,017 Shares will be issued pursuant to this Offer to raise up to approximately \$1,177,404.

As at the date of this Prospectus, the Company has 14,810,000 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 6.5 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 7 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 6.1 of this Prospectus.

5.2 Minimum subscription

There is no minimum subscription.

5.3 Acceptance

Your acceptance of the Offer must be made on the Application Form accompanying this Prospectus. Your acceptance of your Entitlement must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your **full** Entitlement:
 - (i) complete the Application Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Application Form; or
- (b) if you only wish to accept **part** of your Entitlement:
 - (i) fill in the number of Shares you wish to accept in the space provided on the Application Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.002 per Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

5.4 Taking up all your Entitlement and applying for Shortfall Shares

Should you wish to accept all of your Entitlement and apply for Shortfall Shares, then applications for Shortfall Shares under this Prospectus must be made on the Application Form which accompanies this Prospectus or by completing a BPAY® payment in accordance with the instructions referred to in this Prospectus and on the Application Form. Please read the instructions carefully.

5.5 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 Application Form and cheque must reach the Company's share registry no later than 5:00 pm WST on the Closing Date.

5.6 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Application 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 Application Form but are taken to have made the declarations on that Application 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 5:00 pm (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. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

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

5.7 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 Prospectus 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 \$0.002 being the price at which Shares have been offered under the Offer.

The Company will allow Eligible Shareholders to apply for Shares under the Shortfall Offer subject to such applications being received by the Closing Date. Details on how to apply for Shortfall Shares is set out in Section 5.4.

The Directors reserve the right to issue Shortfall Shares at their absolute discretion. There is no guarantee that Eligible Shareholders will receive Shares applied for under the Shortfall Offer.

The Company notes that no Shares will be issued to an applicant under this Prospectus or via the Shortfall Offer if the issue of Shares would contravene the takeover prohibition in section 606 of the Corporations Act. Similarly, no Shares will be issued via the Shortfall Offer to any related parties of the Company.

5.8 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

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

5.9 Issue of Shares

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company 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.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

5.10 Overseas shareholders

This Offer 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 Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions 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. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

New Zealand

The Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these Shares is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Nominees and custodians

Nominees and custodians may not submit an Application Form on behalf of any Shareholder resident outside Australia and New Zealand without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Application Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

5.11 Enquiries

Any questions concerning the Offer should be directed to David Breeze, Company Secretary, on +61 8 9328 8366.

6. PURPOSE AND EFFECT OF THE OFFER

6.1 Purpose of the Offer

The purpose of the Offer is to raise up to approximately \$1,177,404. The funds raised from the Offer are planned to be used in accordance with the table set out below:

| Item | Proceeds of the Offer | Full Subscription (\$) | % |
|------|--|------------------------|-------------|
| 1. | Investment in Oil and Gas | 740,000 | 62.85% |
| 2. | Investment in Cortical and HLS5 ¹ | 40,000 | 3.40% |
| 3. | Maximum off-set amount ² | 166,031 | 14.10% |
| 3. | Expenses of the Offer ³ | 46,044 | 3.91% |
| 4. | Working Capital | 185,329 | 15.74% |
| | Total | \$1,177,404 | 100% |

Notes:

1. Refer to ASX announcement dated 14 November 2017 for further details in relation to Cortical and the HLS5 investment.
2. The amount of funds raised will be reduced by up to a maximum of \$166,031 due to offsets against fees owed to the Company to current and former Directors, and loans granted by the Company to Grandbridge Limited. The Company has agreed to offset Mr David Breeze's Entitlements up to a maximum of \$71,783, Mr Greg Gilbert's (a former Director) Entitlements up to a maximum of \$1,923, Mr Tom Fontaine's (a former Director) Entitlements up to a maximum of \$8,769, and Grandbridge and Grandbridge Limited's Entitlements up to a maximum of \$83,556. The effect on the Offer will be that the total funds raised will be reduced by up to a maximum of \$166,031 to \$1,011,373 (before costs). For further details, refer to section 6.3 below.
3. Refer to Section 9.6 of this Prospectus for further details relating to the estimated expenses of the Offer.

In the event that the Company raises less than the full subscription, the funds will be applied firstly to the expenses of the offer then pro-rata for the remaining items 1, 2, 3 and 5.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

6.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) Increase the cash reserves by \$1,131,360 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 588,702,017 as at the date of this Prospectus to 1,177,404,034 Shares.

6.3 Offset Arrangements

The Company has agreed to offset debts owed to 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 outstanding director fees. As at 30 June 2017, the total amount owing to Mr Breeze and his associated entities by the Company

equates to \$716,558. The Company and Mr Breeze have agreed that part of the outstanding fees shall be applied towards Mr Breeze's Entitlement of up to 35,891,286 Shares being to the value of \$71,783 provided that Mr Breeze's combined voting power (together with his associates) does not exceed 20%. Any remaining balance outstanding after the fees have been applied towards the Entitlement shall be repaid by the Company to Mr Breeze in accordance with existing arrangements.

The Company has agreed to offset debts owed to Mr Greg Gilbert. Mr Gilbert, a former Director, is currently owed funds by the Company in relation to outstanding director fees. As at 30 June 2017, the total amount owing to Mr Gilbert and his associated entities by the Company equates to \$137,157. The Company and Mr Gilbert have agreed that part of the outstanding fees shall be applied towards Mr Gilbert's Entitlement of up to 961,538 Shares being to the value of \$1,923. Any remaining balance outstanding after the fees have been applied towards the Entitlement shall be repaid by the Company to Mr Gilbert in accordance with existing arrangements.

The Company has agreed to offset debts owed to Mr Tom Fontaine. Mr Fontaine, a former Director, is currently owed funds by the Company in relation to outstanding director fees. As at 30 June 2017, the total amount owing to Mr Fontaine and his associated entities by the Company equates to \$43,207. The Company and Mr Fontaine have agreed that part of the outstanding fees shall be applied towards Mr Fontaine's Entitlement of up to 4,384,446 Shares being to the value of \$8,769. Any remaining balance outstanding after the fees have been applied towards the Entitlement shall be repaid by the Company to Mr Fontaine in accordance with existing arrangements.

The Company has agreed to offset debts owed to Grandbridge. Grandbridge currently has a direct and indirect shareholding of 7.19% in the Company and is currently owed funds by the Company in relation to a loan arrangement (**Loan**). As at 31 October 2017, the total amount owing to Grandbridge by the Company equates to \$468,932. The Company and Grandbridge have agreed that part of the outstanding Loan shall be applied towards Grandbridge's (and Grandbridge Limited's) Entitlements of up to 41,778,200 Shares being to the value of \$83,556. Any remaining balance outstanding after the Loan has been applied towards the Entitlement shall be repaid by the Company to Grandbridge in accordance with existing loan arrangements.

6.4 Pro-forma balance sheet

The audited balance sheet as at 30 June 2017 and the audited pro-forma balance sheet as at 30 June 2017 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

| | AUDITED 30 June 2017 \$ | PROFORMA 30 June 2017 \$ |
|--|-------------------------------|--------------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents ¹ | 613,658 | 1,578,987 |
| Other current assets | 208,077 | 208,077 |
| TOTAL CURRENT ASSETS | 821,735 | 1,787,064 |
| | | |
| NON-CURRENT ASSETS | | |
| Financial assets | 5,064,359 | 5,064,359 |
| Investments in associates | 493,047 | 493,047 |
| TOTAL NON-CURRENT ASSETS | 5,557,406 | 5,557,406 |
| | | |
| TOTAL ASSETS | 6,379,141 | 7,344,470 |
| | | |
| CURRENT LIABILITIES | | |
| Trade and other payables ² | 1,284,910 | 1,202,435 |
| Financial liabilities | 621,451 | 537,895 |
| TOTAL CURRENT LIABILITIES | 1,906,361 | 1,740,330 |
| | | |
| NON-CURRENT LIABILITIES | | |
| Financial liabilities | 86,451 | 86,451 |
| TOTAL NON-CURRENT LIABILITIES | 86,451 | 86,451 |
| | | |
| TOTAL LIABILITIES | 1,992,812 | 1,826,781 |
| | | |
| NET ASSETS | 4,386,329 | 5,517,689 |
| | | |
| EQUITY | | |
| Issued capital | 43,454,632 | 44,585,992 |
| Options Reserve | 492,580 | 492,580 |
| Accumulated Losses | (39,402,226) | (39,402,226) |
| Non-controlling interest | (158,657) | (158,657) |
| TOTAL EQUITY | 4,386,329 | 5,517,689 |

Notes:

- The pro forma figure is the total funds raised from the Offer (assuming full subscription) less the sum of \$166,031, being the offset amount as described in section 6.3 and expenses of the Offer as set out in section 9.6.

6.5 Effect on 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 | 588,702,017 |
| Shares offered pursuant to the Offer | 588,702,017 |
| Total Shares on issue after completion of the Offer | 1,177,404,034 |

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

| Options | Number |
|---|-----------|
| Unquoted exercisable at \$0.08 expiring 30/6/2018 | 1,015,000 |
| Unquoted exercisable at \$0.02 expiring 31/3/2020 | 9,795,000 |

| | |
|---|-------------------|
| Unquoted exercisable at \$0.02 expiring 30/11/2020 | 2,000,000 |
| Unquoted exercisable at \$0.02 expiring 30/11/2021 | 2,000,000 |
| Total Options on issue after completion of the Offer¹ | 14,810,000 |

Notes:

1. Subject to Shareholder approval, the Company will issue a further 2,000,000 Options to Tony Huston and 2,000,000 Options to Charles Maling contemplated by Resolutions 5 and 6 (inclusive) of the Company's Notice of Annual General Meeting announcement 27 October 2017. If the Company issues these Options, the total number of Options on issue will increase to 18,810,000.

At the date of this Prospectus there are no other securities on issue.

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7. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

8. RISK FACTORS

8.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

8.2 Company specific

(a) Going Concern Risk

The Company's audited financial report for the year ended 31 June 2017 includes a note to the financial statements on the financial condition of the Company and the existence of a material uncertainty about the Company's ability to continue as a going concern. The report notes that:

"The consolidated entity has reported a loss after tax for the year ended 30 June 2017 of \$2,544,301 (2016: loss of \$511,446) and has a net cash outflow from operating activities of \$517,680 (2016: outflow of \$218,606). The consolidated entity has a working capital deficit of \$1,084,626 (2016: deficit \$1,963,721). The net assets of the consolidated entity decreased by \$15,924,700 to \$4,386,329 at 30 June 2017.

Notwithstanding the 'going concern' paragraph included in the financial report, the Directors also stated that:

"the directors have reviewed their expenditure and commitments for the consolidated entity and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources.

The directors have prepared cash flow forecasts, including potential capital raisings, which indicate that the consolidated entity should have sufficient cash flows for a period of at least 12 months from the date of this report. Based on the cash flow forecasts including directors voluntarily suspending cash payments for their director fees, the directors are satisfied that, the going concern basis of preparation is appropriate."

(b) **Additional requirements for capital**

The audited financial report for the year ended 31 June 2017 also notes that:

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

As detailed in section 9.1 and as previously announced, the Company received a writ from MEC Resources Ltd for an amount of \$270,000 plus interest and costs. The Company is entitled to payment on demand of \$388,050 from MMR. The Company will defend any claim from MMR and counterclaim to recover from MMR the sum of \$388,050 plus interest and costs.

(c) **Potential for significant dilution**

Upon implementation of the Offer, assuming all Entitlements are accepted the number of Shares in the Company will increase from 588,702,017 currently on issue to 1,177,404,034. This means that each Share will represent a significantly lower proportion of the ownership of the Company.

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 \$0.002 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

8.3 Industry Specific

(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 25% interest in Advent Energy Ltd (**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.
- (xvii) **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.

(d) **Nature of BPH's existing investments**

The Company's existing investments include a 25.5% equity investment in Advent Energy Ltd with a carrying value of \$3.00 million, a 20% interest in MDSystems with a carrying value of \$0.49 million and a 4.49% interest in Cortical Dynamics Ltd. The Company may increase its holding in Cortical up to 13% 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.

(e) **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.

(f) **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.

8.4 General risks

(a) **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.

(b) **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.

(c) **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.

(d) **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.

(e) **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.

(f) **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.

(g) **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.

8.5 **Speculative investment**

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 Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

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

9. ADDITIONAL INFORMATION

9.1 Litigation

- (a) The Company received a writ from MEC Resources Ltd (ASX: MMR) for an amount of \$270,000 plus interest and costs. The Company has previously advised the ASX on 4 July 2017 that the Company is entitled to payment on demand of \$388,050 from MMR. These demands have been issued. The Company will defend any claim from MMR and counterclaim to recover from MMR the sum of \$388,050 plus interest and costs. On 2 October 2017, the Company advised the ASX that it had received an application for summary judgment in relation to this claim. The Company is opposing the application for summary judgment on a number of grounds including that MMR agreed to defer payment of the loan on the same basis that directors have deferred payment of director fees and that there is a complete set off to the monies alleged to remain owing to MEC Resources. The Company asserts that there is no money presently owing. This matter has been set for a hearing on 13 December 2017.
- (b) The Company has received a statutory demand from Deborah Ambrosini, a former Director of the Company, for an amount of \$117,481. The Company disputes this position and intends to have the statutory demand set aside. The Company has advised Mrs Ambrosini that the conditions precedent for payment has not occurred and that any Directors fees are not due and owing.
- (c) The Company has received a statutory demand from Goh Hock, a former Director of the Company, for an amount of \$145,832. The Company disputes this position and intends to have the statutory demand set aside. The Company has advised Hock Goh that the conditions precedent for payment has not occurred and that any Directors fees are not due and owing.

9.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus 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 all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. 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.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

| Date | Description of Announcement |
|------------|---|
| 20/11/2017 | Appointment of Corporate Development Director to Cortical |
| 17/11/2017 | Updated Capital Structure |
| 14/11/2017 | European Marketing Appointment for BPH Investee Cortical |
| 13/11/2017 | Non-renounceable Issue |
| 01/11/2017 | Annual Report to Shareholders |
| 01/11/2017 | Appendix 4C – September 2017 Quarter Cashflow |

ASX maintains files containing publicly available information for all listed

companies. The Company's file is available for inspection at ASX during normal office hours.

9.3 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in Section 4.2 of this Prospectus.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

| Director | 2016 ¹ | 2017 ¹ | Proposed 2018 |
|--------------|-------------------|-------------------|---------------|
| David Breeze | \$148,000 | \$148,000 | \$148,000 |
| C Maling | Nil | Nil | \$17,603 |
| A Huston | Nil | \$411 | \$25,000 |

Note:

1. The figures for the 2016 and 2017 financial years have been extracted from the 2017 Annual Report and include salary and fees.
2. Mr Huston was appointed on 26 June 2017.
3. Mr Maling was appointed on 17 October 2017.

9.4 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$10,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$57,798 (excluding GST and disbursements) for legal services provided to the Company.

HLB Mann Judd act as the auditors to the Company and has consented to the inclusion of statements contained in Section 6.4 in the form and context in which they are included. During the 24 months preceding lodgement of this Prospectus

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with the ASIC, HLB Mann Judd has been paid fees totalling \$30,800 (excluding GST and disbursements) for services provided to the Company.

9.5 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section;
- (c) Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.
- (d) HLB Mann Judd has given its written consent to being named as the auditors to the Company in this Prospectus. HLB Mann Judd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

9.6 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$46,044 (excluding GST) and are expected to be applied towards the items set out in the table below:

| | |
|---------------------------|---------------|
| | \$ |
| ASIC fees | 2,400 |
| ASX fees | 5,983 |
| Legal fees | 10,000 |
| Management fee | 17,661 |
| Printing and distribution | 10,000 |
| Total | <u>46,044</u> |

9.7 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on +61 8 9328 8366 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.bphenergy.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9.8 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

9.9 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES 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 Shares issued to them under this Prospectus. 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 CHES 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.

9.10 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, 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 Prospectus.

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 application for Shares, the Company may not be able to accept or process your application.

10. **DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

David Breeze
Chairman
For and on behalf of
BPH ENERGY LIMITED

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11. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application Form means the application form which includes the Shortfall application either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

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

Constitution means the constitution of the Company as at the date of this Prospectus.

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

Directors means the directors of the Company as at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Offer means the non-renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

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

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 5.7 of this Prospectus.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

WST means Western Standard Time as observed in Perth, Western Australia.