



8 February 2016

Mr Ben Tippett
Adviser, Listings Compliance (Perth)
ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Mr Tippett

RE: BPH Energy Ltd Appendix 4C Query

I refer to your letter dated 5 February 2016 regarding the Company's Appendix 4C for the period ended 31 December 2015 and respond to your questions as follows:

- 1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?**

No, this is not the case. In the past year the Company has taken a number of actions to significantly reduce all of its expenditures. These actions include a significant reduction in administration costs as well.

The Company has recently assisted its investee company, Cortical Dynamics Limited (**Cortical**), in undertaking and completing a successful capital raising after Cortical received formal notification of its certification from the Therapeutic Goods Administration. Cortical is therefore currently financially self-sufficient and the Company does not currently intend to provide further financial assistance to Cortical in the near future. Further to Cortical's capital raising, the Company understands Cortical intends to repay a portion of outstanding interest owed to the Company under a loan agreement.

In addition, the Company continues to have access to a secured convertible debt facility of up to \$295,000. The facility has only been drawn to the extent of \$200,000 as at the date of this letter.

On the basis of the above, the Company believes it will have sufficient cash to fund its activities going forward.

- 2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?**

No. As a result of the actions taken by the Company and the timing of expenses, the Company does not expect to experience negative operating cash flow at the same level as that shown in the reported Appendix 4C for the quarter end.

3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

The Company has continued to provide support and guidance to its investee companies to assist them in further developing their assets.

In particular, BPH Energy provided guidance and advice to Cortical in connection with its recent successful capital raising (as referred to in paragraph 1 above) after Cortical received formal notification of its inclusion on the Therapeutic Goods Register, which has allowed Cortical to become financially self-sufficient. The Company is also working with Cortical to assist it to secure a distribution agreement which will allow its product, the Brain Anaesthesia Monitor, to be distributed Australia wide at first with a view to securing distribution internationally.

The Company has recently provided similar guidance and advice to its investee company, Molecular Discovery Systems Ltd, who has now commenced a similar capital raising.

In addition to the above, in the last year the Company has taken a number of actions to significantly reduce its expenditures. These actions include a significant reduction in all operating and administration expenses.

The Company will continue to regularly review its financial position and its ability to meet its business objectives and it will keep shareholders fully informed of changes as they occur.

4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

The Company confirms that it is in compliance with the listing rules, and in particular listing rule 3.1.

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

The Company confirms that it is in compliance with listing rule 12.2. The Company believes it has sufficient assets (including available finance) to cover its liabilities and meet its ongoing commitments.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Breeze', with a stylized flourish at the end.

David Breeze
Executive Director



5 February 2016

Deborah Ambrosini
Company Secretary
BPH Energy Limited
14 View Street
North Perth WA 6006

By Email

Dear Ms Ambrosini

BPH Energy Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2015, released to ASX Limited ("ASX") on 19 January 2016 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of nil.
2. Net negative operating cash flows for the quarter of \$57,000.
3. Cash at end of quarter of \$70,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **3.00 pm WST on Tuesday 9 February 2016**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ben.tippett@asx.com.au. It should **not** be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

[sent electronically without signature]

Ben Tippett

Adviser, Listings Compliance (Perth)