



25 10 2018

Companies Announcement Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney, NSW 2000

Dear Sir/Madam

VALUATION UNDER LR 7.1A.3

Valuation Report for BPH Energy Limited (ASX: BPH) for the purposes of Listing Rule 7.1A.3.

Overview and background

BPH Energy Ltd (ASX: BPH) has agreed to issue 75,121,887 fully paid ordinary shares at a deemed issue price of 0.001 cents per share to Protax Nominees Pty Ltd (A.C.N.018812567) in consideration for 4,173,439 fully paid ordinary shares in MEC Resources Ltd (ASX: MMR) under Listing Rule 7.1A.

A further 24,878,113 BPH shares will be issued to Protax Nominees Pty Ltd (A.C.N.018812567) under Listing Rule 7.1 in consideration for 1,382,117 shares in MEC Resources Ltd.

A total of 100,000,000 BPH shares will be issued in consideration for 5,555,556 shares in MMR. At a deemed issue price of 0.001 cents per BPH share this equates to a deemed value of 0.018 per MMR share.

Under Listing Rule 7.1A.3 ("Rule"), where equity securities are issued for non-cash consideration (i.e. the acquisition of an asset or, in this case, shares in MMR), the eligible entity must provide for release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with the Rule.

The Rule requires that the eligible entity must demonstrate that the deemed issue price of the securities issued in consideration for the acquisition of the asset is no lower than 75% of the volume weighted average price (VWAP) of the securities over the 15 days on which trades in the securities are recorded immediately before either:

(a) the date on which the securities are issued;

or

(b) the date on which the price of the securities is agreed, provided that the issue is thereafter completed within five business days.

For personal use only

The Rule requires that the valuation of the non-cash consideration may be provided by an independent expert or by the directors, provided in the latter case that the directors have appropriate expertise to value the relevant kind of non-cash consideration and that the report contains a similar level of analysis and is of a similar standard to an independent expert's report.

The directors considered whether to engage an independent expert to provide a valuation of the non-cash consideration for the issue of the BPH shares however the directors formed the view that they possessed the required expertise within the board to assess the value of the non-cash consideration.

David Breeze is a member of the board and has been a licensed person under a securities dealer's license for over 20 years. He is a Corporate Finance Specialist with extensive experience in the stock broking industry and capital markets. He has been a corporate consultant to Daiwa Securities; was formerly Manager of Corporate Services for Eyres Reed McIntosh and an Associate Director for the stock broking firm BNZ North's.

David has a Bachelor of Economics and a Masters of Business Administration, and is a Fellow of the Institute of Company Directors of Australia. He has published in the Journal of Securities Institute of Australia and has also acted as Independent Expert under the *Corporations Act 2001* and was a lecturer and examiner in Securities Industry Law for the Securities Institute of Australia.

Sources of information

In preparing this report BPH has considered:

1. Fair Value Estimate from Morningstar on nabtrade.com.au;
2. VWAP share trade data from AAP Securities Pty Ltd; and
3. Share trade data from nabtrade.com.au.

Summary and Opinion

15 day VWAP of BPH fully paid ordinary shares

The volume weighted average price ("VWAP") of the BPH fully paid ordinary shares over the 15 days on which trades in the securities are recorded prior to October 19 2018, being the date on which the price of the securities was agreed, was \$0.001289. A discount of 25% gives a value of \$ 0.000967 per share. This is rounded to \$ 0.001 per share. The trading data for the VWAP of BPH was supplied by APP Securities Pty Ltd.

Valuation of non-cash consideration in MMR fully paid ordinary shares

The Directors considered the value of the MMR shares received as non-cash consideration for the BPH shares based on a number of criteria including:

- 1) VWAP

The VWAP of the MMR fully paid ordinary shares over the 15 days on which trades in the securities were recorded prior to the 19 October was \$ 0.01527. The trading data for the VWAP of BPH was supplied by APP Securities Pty Ltd.

It was necessary to go back to 5 September 2018 to derive 15 trading days on which trades in the MMR securities are recorded. Only 2,988,722 MMR shares in total were traded during this time with a total value of \$45,627.76. The highest single number of shares traded on any day over this time was 590,868 shares.

2) Fair Value Estimate

The Morningstar Fair Value Estimate for the value of MMR fully paid ordinary shares given on 19 October 2018 was \$0.019 per share. On 17 October 2018 the Morningstar Fair Value estimate was \$0.02 per share (Source nabtrade.com.au). (Morningstar is a leading independent global investment research company. It operates in 27 countries and has \$260 billion in assets under advisement and management worldwide.)

3) Trade price range MMR shares

The highest share price for MMR during the period from 5th September to 19th October 2018 was 1.9 cents per share and the lowest 1.2 cents per share.

4) Volume and price movement

A review of the last ten years from the MMR trading data available from nabtrading.com.au showed that on any day that there were over 5 million trades in MMR a significant change in price would occur. Evaluating days of high volume trades enables a better comparison of likely price impact on volume. On days when over 5m shares were traded the price increase ranged from at least 25% and up to 190%. A price movement of 35% when there were over 5 million shares traded is at the lower end of this range and can be used for this valuation (source nabtrade.com.au).

5) Trades on 18 October 2018

The average trade value of MMR shares on 18 October 2018 was 0.01329 cents per share. A 35 % premium to this gives a value per MMR share of 1.8 cents which was used for the purpose of this valuation.

The Directors consider this method of valuation to be more reliable than a valuation based on the last trade price or the 15 day VWAP before the date on which the price of the BPH securities was agreed. It is also substantiated by the Morningstar Fair Value Estimate.

Yours sincerely,



David Breeze
Executive Director

For personal use only