## *Appendix 4E – Preliminary Final Report*

## *Results for announcement to the market*

| | |
|---|---|
| Name of Entity | BPH Energy Limited |
| ABN | 41 095 912 002 |
| Financial Year Ended | 30 June 2014 |
| Previous Corresponding Reporting Period | 30 June 2013 |

| | | | | $A'000 |
|---|---|---|---|---|
| Revenues and other income from ordinary activities | Down | 19.26% | to | 151 |
| Loss from ordinary activities after tax attributable to members | Up | 121% | to | 1,253 |
| Net loss for the financial year attributable to members | Up | 121% | to | 1,253 |

| Dividends (distributions) | Amount per security | Franked amount per security |
|---|---|---|
| Final dividend<br>Interim dividend | nil | nil |
| Previous corresponding period | n/a | n/a |

## Other notes to the condensed financial statements

| Ratios | Current period | Previous corresponding Period |
|---|---|---|
| **Profit before tax / revenue**<br>Consolidated loss from ordinary activities before tax as a percentage of revenue | (1042.89%) | (547.00)% |
| **Profit after tax / equity interests**<br>Consolidated net loss from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period | (2.66%) | (1.18)% |

| NTA Backing | Current period | Previous corresponding Period |
|---|---|---|
| Net tangible asset backing per ordinary security | 29.28cps | 30.19 cps |

| Statement of Retained Earnings | Current period | Previous corresponding period |
|---|---|---|
| Balance at beginning of the year | (8,642,849) | (8,074,395) |
| Net loss attributable to members of the parent entity | (1,253,563) | (568,454) |
| Total available for appropriation | | |
| Dividends paid | - | - |
| Balance at year end | (9,896,412) | (8,642,849) |

**Details of Associates and Joint Venture Entities**

| Name of Entity | Percentage Held | | Share of Net Profit | |
|---|---|---|---|---|
| | Current Period | Previous Period | Current Period | Previous Period |
| Advent Energy Ltd | 27 | 27 | (267,626) | (523,231) |
| Molecular Discovery Systems Limited | 20 | 20 | (45,241) | (39,716) |
| **Aggregate Share of Net Profits** | | | (312,867) | (298,037) |

Please refer to Note 13 of the attached accounts for further details on associate companies.

## Commentary on Results

The net assets of the economic entity decreased by $1,249,999 to $46,947,298 at 30 June 2014. This has largely resulted from cash balances decreasing as BPH Energy continued to provide financial support to its investee companies MDSystems and Cortical Dynamics Ltd and the impairment of the company's investment in MDSystems, due primarily to the temporary suspension of MDSystem's drug discovery program.

The consolidated entity has incurred losses for the year ended 30 June 2014 of $1,266,079 (2013: losses of $594,908) and has a net cash outflow from operating activities of $400,388 (2013: $412,426). The Group has a working capital deficit of $1,177,793 (See note 18 b) (2013: surplus of 1,838,120).

## Significant Changes in State Of Affairs

The major activities throughout the period were:

- During the year Cortical Dynamics completed its first human clinical trial using the BAR monitoring system which was conducted at St Vincent's Hospital, Melbourne. The findings of the St Vincent's trial were presented at the 2013 Annual Scientific Meeting of the Australian and New Zealand College of Anaesthetists;
- During the year Cortical Dynamics partnered with the University of Melbourne in an Australian Research Council (ARC) Linkage Agreement. Cortical expects the project will add new processing capabilities to the Brain Anaesthesia Response (BAR) monitoring system. This project will use advanced computing methods applied to electroencephalographic (EEG) recordings, to track how the brain changes as a person undergoes general anaesthesia during surgery. These methods will provide a framework for developing improved devices to monitor depth of anaesthesia;

- A key patent family relating to the BAR monitor had applications granted in Australia and Japan, the patents were entitled ' Brain function monitoring and display system';

- A key patent family relating to the BAR monitor had three applications granted in China, Australia and Japan, the patents are from the patent family entitled 'EEG Analysis System'.

- MDSystems signed a collaboration agreement with the Peter MaCallum Centre. The collaborative research program is aimed at the discovery and development of new cancer drugs that normalise the function of the key tumour suppressor p53 and;

- Two Australian patents have been granted in the HLS5 patent portfolio. The issued patents are entitled 'Agent for the treatment of hormone-dependent disorders and uses thereof' and 'Transcription factor modulator'

- BPH investee Advent Energy has commenced preparations for seismic acquisition in PEP11 in the offshore Sydney Basin, offshore NSW.

- During the period, Advent Energy's wholly owned subsidiary Asset Energy Pty Ltd applied to NOPTA for a 12 month suspension and extension of the Year 2 permit obligations for the key offshore Sydney Basin permit Petroleum Exploration Permit 11 (PEP11) The suspension and extension was being considered at year end.

- Following application by Advent Energy through its wholly owned subsidiary Onshore Energy Pty Ltd, the WA Department of Mines & Petroleum granted a suspension of the condition requiring the completion of the Year 2 work (one exploration well) by 31 March 2015 within EP386. EP386 lie in the onshore Bonaparte Basin, north-eastern Western Australia.

- A report titled Engineering energy: unconventional gas production by the Australian Council of Learned Academies (ACOLA) described a 6 trillion cubic feet (Tcf) shale gas resource for the onshore Bonaparte Basin. This assessment is equivalent to a resource of 1.09 billion barrels of oil equivalent (boe)

# Compliance Statement

1. This report has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to the ASX.

2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3. This report does give a true and fair view of the matters disclosed.

4. This report is based on accounts to which one of the following applies.

- [x] The accounts have been audited
- [ ] The accounts are in the process of being audited or subject to review.
- [ ] The accounts have been subject to review.
- [ ] The accounts have not yet been audited.

Sign here: ............................................................ Date: 13th August 2014
Director

Print name: David Breeze

# BPH ENERGY LIMITED

ACN 095 912 002

# Annual Report 2014

# Contents





**Company Information**

**Directors**
David Breeze – Chairman/Managing Director
Greg Gilbert – Non Executive Director (resigned 11 December 2013)
Hock Goh – Non Executive Director
Deborah Ambrosini - Director and Company Secretary

**Scientific Advisors**
Professor Peter Klinken
Associate Professor David Liley

**Registered Office**
14 View Street, NORTH PERTH WA 6006

**Principal Business Address**
14 View Street, NORTH PERTH WA 6006
Telephone: (08) 9328 8366
Facsimile: (08) 9328 8733
Website: www.bphcorporate.com.au
E-mail: admin@bphcorporate.com.au

**Auditor**
Nexia Perth Audit Services Pty Ltd
Level 3, 88 William Street
PERTH WA 6000

**Share Registry**
Security Transfer Registrars Pty Limited
770 Canning Highway
APPLECROSS WA 6153

**Australian Securities Exchange Listing**
Australian Securities Exchange Limited
(Home Exchange: Perth, Western Australia)
ASX Code: BPH

**Australian Business Number**
41 095 912 002

The directors of BPH Energy Ltd ("BPH Energy" or the "Company") present their report on the company and its controlled entities for the financial year ended 30 June 2014.

**Directors**

The names of directors in office at any time during or since the end of the year are:

D L Breeze
G Gilbert (resigned 11 December 2013)
H Goh
D Ambrosini

**Company Secretary**

Ms Deborah Ambrosini continues in her role of Company Secretary. She also holds the position of Chief Financial Officer of the Company and has over 15 years' experience in Corporate accounting roles.

**Principal Activities**

The principal activities of the consolidated entity during the financial year were investments in biotechnology entities and an oil and gas exploration entity.

**Operating Results**

The consolidated loss of the economic entity after providing for income tax was $1,266,079 (2013: loss $594,908).

**Dividends**

The directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

**Review of Operations**

**Investment in Oil and Gas Exploration Company**

Advent Energy Ltd ("Advent"):

BPH Energy currently holds an interest of 27% in unlisted Australian exploration company Advent Energy ("Advent").

Advent has assembled a range of hydrocarbon permits which contain near term production opportunities with pre-existing infrastructure and exploration upside.

Advent's assets include EP386 and RL1 (100%) in the onshore Bonaparte Basin in the north of Western Australia and Northern Territory, PEP11 (85%) in the offshore Sydney Basin and EP325 (8.3%) in the Exmouth Sub-basin of the Carnarvon Basin near Exmouth in WA. Advent's portfolio of assets has an estimated AUD $156m invested historically on exploration.

Advent is investigating a considerable potential shale gas resource within EP386 and RL1. Studies indicate significant potential upside in prospective shale gas resources with an estimated (Best Estimate) prospective recoverable resource of 9.8 Tcf (Low Estimate is 1.9 Tcf and High Estimate is 25.4 Tcf).

A 2C Contingent Resource of 11.5 Bcf (1C is 0.3 Bcf and 3C is 45.8 Bcf) for the Weaber Gas Field (RL1) has been assessed by an independent third party as a component of Advent's drive to commercialise its 100% owned onshore Bonaparte Basin assets. The rapid development of the Kununurra region in northern Western Australia, including the Ord Irrigation Expansion Project and numerous resource projects, provides an exceptional opportunity for Advent to potentially develop its nearby gas resources for the benefit of the region along with Advent and its shareholders.

The Sydney Basin is a proven petroleum basin with excellent potential for the discovery of gas and oil. Advent has demonstrated an active hydrocarbon system with seeps reported in the offshore area and sampling has indicated the presence of thermogenic hydrocarbon gas. This is considered to occur in basins actively generating hydrocarbons and/or that contain excellent migration pathways. Previous drilling has shown that the early Permian geological sequence is mature for hydrocarbons.

Undiscovered prospective recoverable gas resources for structural targets within the PEP11 offshore permit have been estimated at 5.7 Tcf (at the Best Estimate level). A Low Estimate of 0.3 Tcf and High Estimate of 67.8 Tcf has been assessed by Pangean Resources in 2010. PEP 11 lies adjacent to the most populous region of Australia and the major industrial hub and port of Newcastle.

**Investment in Biotechnology Companies**

BPH Energy's existing Biotechnology investments include its 3.89% interest in Cortical Dynamics Limited; 51.82% interest in Diagnostic Array Systems Pty Ltd and its 20% interest in Molecular Discovery Systems Limited.

Molecular Discovery Systems Limited ("MDSystems")

*Drug Discovery:*
To date, utilising the automated high resolution imaging platform, In-Cell analyzer, MDSystems has developed a number of high content drug screens. These screens have led to the identification of several compounds which have been shown to interfere with a number of cancer associated cell signalling pathways.

However, during the year after careful consideration of general market conditions and available resources, MDSystems made a decision to temporarily suspend its early stage drug discovery program. This change was made effective from July 2014.

*HLs5 Project:*
MDSystems will continue working with the Harry Perkins Institute of Medical Research (formerly Western Australian Institute of Medical Research) ("Perkins Institute") to develop and validate HLs5 as a novel tumour suppressor gene. A concerted research effort by leading Australian scientists has revealed that HLs5 works through multiple pathways that may target cancer as well as a range of other diseases such as Huntington's, Parkinson's and HIV infection.

MDSystems has an extensive patent portfolio encapsulating the tumour suppressor gene HLs5 both as a potential therapeutic target and also underpinning its involvement in a variety of disease pathways.

Cortical Dynamics Limited ("Cortical Dynamics"):

Cortical Dynamics is working with BPH Energy and the Swinburne University of Technology ("SUT") to develop and commercialise a unique depth of anaesthesia monitoring system for use during major surgery. The core technology is based on real time analysis of the patients electroencephalograph (EEG) using a proprietary algorithm based on a mathematically and physiologically detailed understanding of the brain's rhythmic electrical activity.

The Cortical Dynamics' team lead by Professor David Liley had previously analysed a comprehensive data set obtained from Europe using the Brain Anaesthesia Response ("BAR") methodology. The detailed results were published in the prestigious peer-reviewed international Journal of Anesthesiology, 2010. The paper indicated the potential of the BAR's methodology to separately monitor hypnotic and analgesic state.

Cortical Dynamics has completed its first clinical trial utilising the BAR monitor. The trial is a significant event in the BAR monitor's development program as it is the first time the complete monitoring system has been used in the operating room. A detailed analysis of the clinical trial data indicated that the BAR monitor's Cortical Input (CI) index can discriminate between two doses of fentanyl, a commonly used analgesic agent. The study also concluded that the BAR monitor's CS index was highly correlated with the Bispectral Index (BIS™), a generally accepted measure of sedation. The trial's findings in combination with the results of the 2010 publication suggest that the BAR monitor may find significant utility in the delivery of optimal and balanced surgical anaesthesia.

Diagnostic Array Systems ("DAS")

DAS is working to develop and commercialise BacTrak™, a diagnostic tool that will enable pathology laboratories and the emergency departments of hospitals to provide patients with fast and accurate identification of disease causing bacteria from a single sputum sample. The test has important implications for the clinical management of infectious diseases by identifying the specific bacteria responsible for a disease. Utilisation of the novel test is intended to provide more information, more quickly, than alternative methods. It has the potential to accelerate therapeutic treatment, lead to a reduction in hospitalisations and help reduce the overuse of antibiotics.

**Financial Position**

The net assets of the economic entity decreased by $1,249,999 to $46,947,298 at 30 June 2014. This has largely resulted from cash balances decreasing as BPH Energy continued to provide financial support to its investee companies MDSystems and Cortical Dynamics Ltd and the impairment of the company's investment in MDSystems, due primarily to the temporary suspension of MDSystem's drug discovery program.

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Included in trade creditors and payables is director fee accruals of $806,902 (30 June 2013: $598,111). 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 group has current financial liabilities of $561,836. Subsequent to year end the Group has received confirmation from the lender that the current financial liabilities of $561,836 $ (2013: $502,978) will not be called for a period of 12 months from the date of this financial report or until such time as the Group it's financially independent. The directors have prepared cash flow forecasts that indicate that the consolidated entity will have sufficient cash flows via debt and equity funding for a period of at least 12 months from the date of this report.

Based on the cash flow forecasts and the monitoring of operational costs, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

**Significant Changes in State Of Affairs**

The major activities throughout the period were:

- During the year Cortical Dynamics completed its first human clinical trial using the BAR monitoring system which was conducted at St Vincent's Hospital, Melbourne. The findings of the St Vincent's trial were presented at the 2013 Annual Scientific Meeting of the Australian and New Zealand College of Anaesthetists;

- During the year Cortical Dynamics partnered with the University of Melbourne in an Australian Research Council (ARC) Linkage Agreement. Cortical expects the project will add new processing capabilities to the Brain Anaesthesia Response (BAR) monitoring system. This project will use advanced computing methods applied to electroencephalographic (EEG) recordings, to track how the brain changes as a person undergoes general anaesthesia during surgery. These methods will provide a framework for developing improved devices to monitor depth of anaesthesia;

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**After Balance Date Events**

There have not been any other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

**Environmental Issues**

The consolidated Group's operations are not regulated by any significant environmental regulation under law of the Commonwealth or of a state or territory.

**Future Developments**

The entity will continue its investment in energy resources and to assist its investee companies to commercialise breakthrough biomedical research developed in universities, medical institutes and hospitals.

**Information on Directors**

**D L Breeze**
*Managing Director and Executive Chairman – Age 60*
Shares held – 6,509,811
Unlisted Options held – 1,000,000

David 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 the State Manager and 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 Financial Services Institute of Australasia, and 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 an Independent Expert under the Corporations Act. He has worked on the structuring, capital raising and public listing of over 70 companies involving in excess of $250M. These capital raisings covered a diverse range of areas including oil and gas, gold, food, manufacturing and technology.

David is Chairman of Grandbridge Limited, a publicly listed investment and advisory company and an Executive Director of MEC Resources Ltd, Advent Energy Ltd and Cortical Dynamics Limited.

**G Gilbert** (resigned 11 December 2013)
*Non-Executive Director – Age 66*
Shares held – nil
Unlisted Options held – nil

Greg is a specialist in strategy and planning and works in the health and aged care sector. He has a Masters in Science from Cranfield University in the UK and, in addition, has a Masters in Health Administration from La Trobe University, an MBA from Deakin University, a BA from the University of Queensland, and a Dip.App Sc from the Royal Military College Duntroon.

Greg has an extensive background in merchant banking and banking, having held the positions of Global Head of Strategy and Finance and Project Director Global Credit Review with the National Australia Bank, as well as having worked in executive roles with Capel Court Investment Bank, CIBC Australia Limited and Bentley and Chau.

Greg has also worked with the National Australia Bank as an Internal Consultant on strategic operational reviews with Mckinsey and Company and Booz Allen and Hamilton consultants.

A former Lieutenant Colonel in the Australian Defence Force, he has extensive senior management experience in strategic planning, financial management, change management and project management as well as merchant banking and corporate advisory experience in mergers and acquisitions and valuations.

**H Goh**
*Non-Executive Director – Age 59*
Shares held – 480,769
Unlisted Options held – nil
Hock was formerly President of Network and Infrastructure Solutions, a division of Schlumberger Limited, based in London with revenue in excess of US$1.5 billion. He had global responsibility of Schlumberger's outsourcing services, security, business continuity and networked related business units.

Prior to that, Hock was President of Schlumberger Asia based in Beijing, China where he managed their Asian operations consisting of a broad range of services including oil field services, outsourcing, financial software and smartcards. Hock was responsible for US$800 million in revenue and more than 2,000 employees spread across 17 countries.

In his 25 year career with Schlumberger, Hock held several other field and management responsibilities in the oil and gas industry spanning more than ten countries in Asia, the Middle East and Europe. Hock started as an oil field service engineer in Indonesia in 1980 before moving to Australia where he worked on rigs in Roma, Queensland, Bass Strait in Victoria and the Northwest Shelf, offshore Western Australia.

Hock is also an operating partner with Baird Capital Partners, the U.S. based buyout fund of Baird Private Equity, providing change-of-control and growth capital to middle-market companies. Baird Private Equity has raised and managed $1.7 billion in capital.

Hock is the Chairman of Netgain Systems, a network monitoring software provider. He also serves on the Board of Xaloy Holdings, a US based steel components manufacturer for the plastic industry, as well as an independent director of THISS Technologies Pte Limited, a Singapore based satellite communication provider. He received his B Eng (Hons) in Mechanical Engineering from Monash University, Australia. He also completed an Advanced Management Program at INSEAD/ France in 2004.

Hock is Chairman of ASX listed company MEC Resources Ltd.

**D Ambrosini**
*Executive Director – Age 40*
Shares held – nil
Unlisted Options held – 500,000
Deborah is a chartered accountant with over 15 years' experience in accounting and business development spanning the biotechnology, mining, IT communications and financial services sectors. She has extensive experience both nationally and internationally in financial and business planning, compliance and taxation.
Deborah is a member of the Institute of Chartered Accountants and was a state finalist in the 2009 Telstra Business Woman Awards. Deborah was also a recipient of the highly regarded 40 under 40 award held by WA Business News.
Deborah is also a Director of ASX listed MEC Resources Ltd and Grandbridge Limited and unlisted entities Advent Energy Ltd, Cortical Dynamics Limited and Molecular Discovery Systems Limited.

**Remuneration Report (Audited)**

This report details the nature and amount of remuneration for key management personnel of BPH Energy.

D L Breeze - Executive Chairman and Managing Director
H Goh – Non Executive Director
G Gilbert – Non Executive Director (resigned 11 December 2013)
D Ambrosini – Executive Director and Company Secretary

All the parties have held their current position for the whole of the financial year and since the end of the financial year unless otherwise stated.

**Remuneration Policy**

The remuneration policy of BPH Energy Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives as determined by the board and/or shareholders. The remuneration report as contained in the 2013 financial accounts was adopted at the Company's 2013 annual general meeting. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board.

- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options.

- The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the amount of their workloads and responsibilities for the company. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives which receive salaries receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits.

Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using an appropriate valuation methodology.

The board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. Payments to non-executive directors are based on market practice, duties and accountability. Independent external advice is sought when required on payments to non-executive directors. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

The board does not have a policy in relation to the limiting of risk to directors and executives in relation to the shares and options provided.

**Employment contracts of key management personnel**

The employment conditions of the managing director and all of the key management personnel are formalised in contracts of employment. The employment contracts stipulate a six month resignation period. The Company may terminate an employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment of six months of the individual's fixed salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will not lapse.

The remaining directors are consultants to BPH Energy and each party can terminate their services by written notice.

**Details of Remuneration for the year ended 30 June 2014**

The remuneration for each key management personnel of the consolidated entity during the year was as follows:

**2014**

| Key Management Person | Short-term Benefits | | | | Post-employment Benefits |
|---|---|---|---|---|---|
| | Salary and fees | Bonus | Non-cash benefit | Other | Superannuation |
| D L Breeze | 148,000 | - | - | - | - |
| G Gilbert | 10,416 | - | - | - | - |
| H Goh | 25,000 | - | - | - | - |
| D Ambrosini | 25,000 | - | - | - | - |

**2014 (cont'd)**

| Key Management Person | Long-term Benefits | Share-based payment | | Total | Performance Related | Compensation Relating to Options |
|---|---|---|---|---|---|---|
| | Other | Equity | Options | $ | % | % |
| D L Breeze | - | - | - | 148,000 | - | - |
| G Gilbert | - | - | - | 10,416 | - | - |
| H Goh | - | - | - | 25,000 | - | - |
| D Ambrosini | - | - | - | 25,000 | - | - |

**2013**

| Key Management Person | Short-term Benefits | | | | Post-employment Benefits |
|---|---|---|---|---|---|
| | Salary and fees | Bonus | Non-cash benefit | Other | Superannuation |
| D L Breeze | 148,000 | - | - | - | - |
| G Gilbert | 25,000 | - | - | - | - |
| H Goh | 25,000 | - | - | - | - |
| D Ambrosini | 25,000 | - | - | - | - |

**2013 (cont'd)**

| Key Management Person | Long-term Benefits | Share-based payment | | Total | Performance Related | Compensation Relating to Options |
|---|---|---|---|---|---|---|
| | Other | Equity | Options | $ | % | % |
| D L Breeze | - | - | - | 148,000 | - | - |
| G Gilbert | - | - | - | 25,000 | - | - |
| H Goh | - | - | - | 25,000 | - | - |
| D Ambrosini | - | - | - | 25,000 | - | - |

**Company performance, shareholder wealth and director and executive remuneration**

The following table shows the gross revenue and the operating result for the last 5 years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows a slight decrease in the revenue from the previous year accompanied by an increase in the loss in the current year which can be attributed to the reduced tax credit calculated for the current year and the impairment of the company's investment in MDSystems, due primarily to the temporary suspension of MDSystem's drug discovery program. Actions have been taken by the Board to ensure that expenses remained constant or were reduced during the last 12 months with a focus on further significant reductions in the coming year.

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Revenue and other income | 339,253 | 604,748 | 300,978 | 301,808 | 265,663 |
| Operating loss attributable to members of the company | (208,785) | (220,903) | (739,165) | (568,454) | (1,253,563) |
| Share price at Year end | $0.068 | $0.03 | $0.017 | $0.01 | $0.008 |
| Earnings per shares (cents) | (0.80) | (0.13) | (0.41) | (0.33) | (0.73) |

**Share based payments:**

The following are the share payments payment arrangement in existence during the year:

| Grant Date | Date of Expiry | Fair Value at Grant Date | Exercise Price | Vesting Date |
|---|---|---|---|---|
| 24 December 2009 | 31 December 2014 | $0.0266 | $0.894 | At grant date |

There were no grants of share based payment compensation to directors and senior management during the year. There are no further service or performance criteria that need to be met in relation to options granted.

No options were granted or exercised during the year (2013:nil).

**End of remuneration report.**

### Additional Information

### Meetings of Directors

During the financial year, one meeting of directors was held. Attendances by each director during the year were:

| | Directors' Meetings | |
|---|---|---|
| | Number eligible to attend | Number attended |
| D L Breeze | 1 | 1 |
| D Ambrosini | 1 | 1 |
| G Gilbert | 1 | 1 |
| H Goh | 1 | 1 |

### Indemnifying Officers or Auditors

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $22,144.

- D Breeze
- D Ambrosini
- H Goh

The company has not indemnified the current or former auditor of the Company.

### Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2014 (2013: Nil).

## Options

At the date of this report, the unissued ordinary shares of BPH Energy Ltd under option are as follows:

**Unlisted Options**

| Grant Date | Date of Expiry | Exercise Price | Number Under Option |
|---|---|---|---|
| 25 September 2009 | 30 September 2014 | $0.594 | 75,000 |
| 24 December 2009 | 31 December 2014 | $0.894 | 1,500,000 |
| 21 January 2011 | 21 January 2016 | $0.16 | 325,000 |
| 1 July 2013 | 30 June 2018 | $0.08 | 1,075,000 |

During the year ended 30 June 2014 nil ordinary shares of BPH Energy Ltd were issued on the exercise of options granted under the BPH Energy Ltd Incentive Option Scheme (2013: Nil). No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

No shares or interest have been issued during or since the end of the financial year as a result of exercise of an option.

## Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 11.

The directors' report is signed in accordance with a resolution of directors made pursuant to S298(2) of the Corporations Act 2001.

**David Breeze**

Dated this 13th August 2014

nexia australia
the next solution

**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001***

To the directors of BPH Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there has been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

NPAS

**Nexia Perth Audit Services Pty Ltd**

Amar Nathwani

**Amar Nathwani B.Eng, CA**
**Director**

Perth
13 August 2014

**Nexia Perth Audit Services Pty Ltd**
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The Board of Directors of BPH Energy Limited ("BPH Energy" or "the Company") ("Group") is responsible for the corporate governance of the economic entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

**CORPORATE GOVERNANCE DISCLOSURES**

BPH Energy Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

**COMPOSITION OF THE BOARD**

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should have at least one independent non-executive director;
- the Board should have at least one director with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee.

**REMUNERATION AND NOMINATION COMMITTEES**

The Company does not have a formal Remuneration or Nomination Committee. The full Board attends to the matters normally attended to by a Remuneration Committee and a Nomination committee. Remuneration levels are set by the Company in accordance with industry standards to attract suitably qualified and experienced Directors and senior executives.

**AUDIT COMMITTEE**

The Company does not have a formal Audit Committee. The full Board carries out the functions of an Audit Committee. Due to the status of the Company and the relatively straight forward accounts of the Company anticipated in the financial year, the Directors believe that there presently would be no additional benefits obtained by establishing such a committee. The Board follows the Audit Committee Charter, a copy of which is available on request.

**BOARD RESPONSIBILITIES**

As the Board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Managing Director. The Board ensures that the Managing Director is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the Company's officers, employees, contractors and consultants.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- Implementation of operating plans and budgets by management and Board monitoring progress against budget; and
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

**MONITORING OF THE BOARD'S PERFORMANCE**

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is to be reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

**BEST PRACTICE RECOMMENDATION**

Outlined below are the 8 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council. The Company has complied with the Corporate Governance Best Practice Recommendations except as identified below.

| Action taken and reasons if not adopted |
|---|
| **Principle 1: Lay solid foundations for management and oversight**<br><br>The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.<br><br>The responsibilities of the board include:<br><br>• providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy;<br><br>• reviewing and approving business plans, and financial plans including major capital expenditure initiatives;<br><br>• overseeing and monitoring:<br>• organisational performance and the achievement of the Group's strategic goals and objectives; and<br>• progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments; |

**Action taken and reasons if not adopted**

• monitoring financial performance including approval of the annual and half-year financial reports;

• appointment, performance assessment and, if necessary, removal of the Managing Director;

• ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary (Deborah Ambrosini);

• ensuring there are effective management processes in place and approving major corporate initiatives;

• enhancing and protecting the reputation of the organization; and

• overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director and senior executives.

**Principle 2: Structure the board to add value**

The board operates in accordance with the broad principles set out in its charter. The charter details the board's composition and responsibilities.

The board seeks to ensure that :

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective; and
- the size of the board is conducive to effective discussion and efficient decision-making.

**Directors' independence**

The board has adopted specific principles in relation to directors' independence. These state that when determining independence, a director must be a non-executive and the board should consider whether the director:

• is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;

• is or has been employed in an executive capacity by the company or any other Group member within three years before commencing to serve on the board;

• within the last three years has been a principal of a material professional adviser or a material consultant to the company or any other Group member, or an employee materially associated with the service provided;

• has a material contractual relationship with the company or a controlled entity other than as a director of the Group; and

• is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases. A transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

The board assesses independence each year. To enable this process, the directors must provide all information that may be relevant to the assessment.

**Action taken and reasons if not adopted**

**Board members**
Details of the members of the board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading "Information on directors". At the date of signing the directors' report, there is one non-executive director and two executive directors, two of whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.
• Mr Breeze has business dealings with the Group as disclosed in note 25 to the financial report.

**Term of office**
The company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election, subject to the following limitations:
• on attaining the age of 72 years a director will retire, by agreement, at the next AGM and will not seek re-election.

**Chair and Managing Director**
The Chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chair.
The Managing Director is responsible for implementing Group strategies and policies.
The Chairman does not satisfy the Independence test as the role of the Chairman and the Managing Director is exercised by the same person. The board is of the opinion that the Chairman's role as Chairman of the Board is appropriate given his experience and knowledge of the business.

**Committees**
The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2014, and the number of meetings attended by each director is disclosed on page 9.

It is the company's practice to allow its executive directors to accept appointments outside the company. No appointments of this nature were accepted during the year ended 30 June 2014.

The Company is not of a size at the moment that justifies having a separate Nomination Committee. However, matters typically dealt with by such a committee are dealt with by the Board of Directors.

Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

**Principle 3: Promote ethical and responsible decision making**

The company has developed a statement of values which has been fully endorsed by the board and applies to all directors and employees. The Statement is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the company's stakeholders.

The Statement requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The Company's share trading policy is set out on the Company's website.
The purchase and sale of company securities by directors and employees is monitored by the Board.

The Company's policy regarding diversity is set out on the Company's website.

**Action taken and reasons if not adopted**

The Company's diversity policy does not include measurable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company. If the Company's activities increase in size, nature and scope in the future, the suitable measurable objectives will be agreed and put into place. Notwithstanding this, the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Diversity Policy.

The company is committed to Diversity and Equal Opportunity within its workforce placing particular focus on the level of gender diversity at senior levels of the organisation. The company ensures this is achieved by :

- ensuring recruitment and selection practices enable the availability of a diverse candidate pool for appointments at senior levels;
- development of high potential women;
- implementation of flexible working arrangements; and
- ensuring remuneration practices are free from gender bias.

At conclusion of the reporting year, one of BPH Energy's three directors is female.

**Principle 4: Safeguard integrity in financial reporting**

Adopted except as follows:-

The Company does not have a separate Audit Committee. The full Board carries out the functions of an Audit Committee. The Board has the authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.
Due to the status of the Company and the relatively straight forward accounts of the Company, the Directors at the moment can see no additional benefits to be obtained by establishing such a committee.
The Board follows the Audit Committee Charter, a copy of which is available on request.

**External auditors**

The Board's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Nexia was appointed as the external auditor in 2012. It is the Corporation Act's policy to rotate audit engagement partners on listed companies at least every five years. A partner should not be re-assigned to a listed entity audit engagement if this equates to the partner serving in this role for more than 5 out of 7 successive years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 5 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

The external auditor will attend the annual general meeting and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the audit report. The Company is not of a size at the moment that justifies having an internal audit division.

**Principle 5&6: Make timely and balanced disclosures and respect the rights of shareholders**
**Continuous disclosure and shareholder communication**

The company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings.

**Action taken and reasons if not adopted**

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders receive a copy of the company's annual and half-yearly reports. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, and financial reports available on the company's website.

**Principle 7: Recognise and manage risk**

The board and senior executives are responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The board actively promotes a culture of quality and integrity.

The responsibility for the operation and administration of the economic entity is delegated by the board to the Managing Director. The board ensures that the Managing Director is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the Company's officers, employees, contractors and consultants. The board receives monthly updates as to the effectiveness of the company's management of material risks that may impede meeting business objectives.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- Implementation of operating plans and budgets by management and board monitoring progress against budget; and
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

Control procedures cover management accounting, financial reporting, project appraisal, IT security, compliance and other risk management issues. The Managing Director is required to ensure that appropriate controls are in place to effectively manage the identified risks. This is monitored by the board on a monthly basis.

**The environment**
Information on compliance with significant environmental regulations is set out in the directors' report.

**Action taken and reasons if not adopted**

**Corporate reporting**
The Managing Director and CFO have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards;

- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and

- that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

**Principle 8: Remunerate fairly and responsibly**

The Company is not of a size at the moment that justifies having a separate Remuneration Committee. However, matters typically dealt with by such a committee are dealt with by the board.

The board makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The board also reviews gender pay equity on an annual basis to ensure equality.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report". In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

The board with the Managing Director also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

# Statement of Profit or Loss and Other Comprehensive Income

**for the year ended 30 June 2014**

BPH Energy Limited and its controlled entities

| | Note | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|---|
| Revenue from ordinary activities | 2 | 151,563 | 187,708 |
| Other income | 2 | 114,100 | 114,100 |
| Share of associates' loss | 13 | (312,867) | (562,945) |
| Impairment of investment in associate | 13 | (736,965) | - |
| Administration expenses | | (109,486) | (34,700) |
| Advertising and Promotion expenses | | - | (1,815) |
| Consulting and Legal expenses | | (148,612) | (159,867) |
| Research and Development expenses | | (18,902) | (49,840) |
| Depreciation and amortisation expense | 3 | (302) | (800) |
| Employee expense | 3 | (344,728) | (336,365) |
| Insurance expenses | | (29,867) | (35,907) |
| Service Fees | | (137,585) | (137,585) |
| Other expenses | | (6,988) | (8,744) |
| Operating Loss Before Income Tax | | (1,580,639) | (1,026,760) |
| Income tax benefit | 14 | 314,560 | 431,852 |
| Operating Loss for the Period | | (1,266,079) | (594,908) |
| Other Comprehensive Income | | | |
| Items that will never be reclassified to profit or loss | | - | - |
| Items that are or may be reclassified to profit or loss | | - | - |
| Total Comprehensive loss for the period | | (1,266,079) | (594,908) |
| Operating loss attributable to non-controlling interests | | (12,516) | (26,454) |
| Operating Loss attributable to members of the parent entity | | (1,253,563) | (568,454) |
| Total Comprehensive loss attributable to owners of the Company | | (1,253,563) | (568,454) |
| Total Comprehensive loss attributable to non-controlling interests | | (12,516) | (26,454) |
| *Earnings Per Share –* | | | |
| *Basic and diluted earnings per share (cents per share)* | 6 | (0.73) | (0.33) |

**The accompanying notes form part of these financial statements.**

# Statement of Financial Position

**as at 30 June 2014**

BPH Energy Limited and its controlled entities

| | Note | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 181,111 | 900,599 |
| Trade and other receivables | 8 | 3,848 | 1,977 |
| Financial Assets | 10 | 97,625 | 1,637,691 |
| Other current assets | 9 | 27,863 | 29,660 |
| **Total Current Assets** | | 310,447 | 2,569,927 |
| **Non-Current Assets** | | | |
| Financial assets | 10 | 2,995,145 | 995,119 |
| Investments in associates | 13 | 48,640,707 | 49,690,539 |
| Intangible assets | 11 | 72,454 | 72,454 |
| Property, plant and equipment | 12 | 169 | 471 |
| **Total Non-Current Assets** | | 51,708,475 | 50,758,583 |
| **Total Assets** | | 52,018,922 | 53,328,510 |
| **Current Liabilities** | | | |
| Trade and other payables | 15 | 898,541 | 702,147 |
| Financial liabilities | 16 | 561,836 | - |
| Provisions | 17 | 23,409 | 26,432 |
| **Total Current Liabilities** | | 1,483,786 | 728,579 |
| **Non-Current Liabilities** | | | |
| Deferred Tax liabilities | 29 | 3,583,290 | 3,899,656 |
| Financial liabilities | 16 | - | 502,978 |
| Provisions | 17 | 4,548 | - |
| **Total Non-Current Liabilities** | | 3,587,838 | 4,402,634 |
| **Total Liabilities** | | 5,071,624 | 5,131,213 |
| **Net Assets** | | 46,947,298 | 48,197,297 |
| **Equity** | | | |
| Issued capital | 18 | 41,511,195 | 41,511,195 |
| Reserve | 19 | 15,450,726 | 15,434,646 |
| Accumulated losses | | (9,896,412) | (8,642,849) |
| Non-controlling interest | | (118,211) | (105,695) |
| **Total Equity** | | 46,947,298 | 48,197,297 |

**The accompanying notes form part of these financial statements.**

# Statement of Changes in Equity

**for the year ended 30 June 2014**

BPH Energy Limited and its controlled entities

| | Note | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Ordinary Share Capital $** | **Accumulated losses $** | **Option Reserve $** | **Fair value Adjustment $** | **Total attributable to owners of the parent entity $** | **Non-controlling Interest $** | **Total $** |
| **Balance at 1 July 2012** | | 41,511,195 | (8,074,395) | 416,590 | 15,015,000 | 48,868,390 | (79,241) | 48,789,149 |
| Loss attributable to members of the consolidated entity | | - | (568,454) | - | - | (568,454) | (26,454) | (594,908) |
| Other Comprehensive income (net of tax) | | - | - | - | - | - | - | - |
| Total Comprehensive income for the year | | - | (568,454) | - | - | (568,454) | (26,454) | (594,908) |
| Transactions with owners in their capacity as owners | | | | | | | | |
| Employee options expense | | - | - | 3,056 | - | 3,056 | - | 3,056 |
| **Balance at 30 June 2013** | | 41,511,195 | (8,642,849) | 419,646 | 15,015,000 | 48,302,992 | (105,695) | 48,197,297 |
| **Balance at 1 July 2013** | | 41,511,195 | (8,642,849) | 419,646 | 15,015,000 | 48,302,992 | (105,695) | 48,197,297 |
| Loss attributable to members of the consolidated entity | | - | (1,253,563) | - | - | (1,253,563) | (12,516) | (1,266,079) |
| Other Comprehensive income (net of tax) | | - | - | - | - | - | - | - |
| Total Comprehensive income for the year | | - | (1,253,563) | - | - | (1,253,563) | (12,516) | (1,266,079) |
| Transactions with owners in their capacity as owners | | | | | | | | |
| Employee options expense | 19(a) | - | - | 16,080 | - | 16,080 | - | 16,080 |
| **Balance at 30 June 2014** | | 41,511,195 | (9,896,412) | 435,726 | 15,015,000 | 47,065,509 | (118,211) | 46,947,298 |

**The accompanying notes form part of these financial statements.**

# Statement of Cash Flows

**for the year ended 30 June 2014**

BPH Energy Limited and its controlled entities

| | Note | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|---|
| ***Cash Flows From Operating Activities*** | | | |
| Receipts from customers | | - | - |
| Payments to suppliers and employees | | (408,868) | (448,802) |
| Income taxes paid | | (1,806) | - |
| Interest received | | 10,286 | 36,376 |
| **Net cash used in operating activities** | 21 | (400,388) | (412,426) |
| ***Cash Flows From Investing Activities*** | | | |
| Loans to related parties | | (394,100) | (485,899) |
| Repayments received | | 75,000 | - |
| **Net cash used in investing activities** | | (319,100) | (485,899) |
| Net decrease in Cash Held | | (719,488) | (898,325) |
| Cash At the Beginning Of The Financial Year | | 900,599 | 1,798,924 |
| **Cash At The End Of The Financial Year** | 7 | 181,111 | 900,599 |

**The accompanying notes form part of these financial statements.**

## 1. Statement of Significant Accounting Policies

### Corporate Information

The financial report includes the consolidated financial statements and the notes of BPH Energy Limited and its controlled entities ('Consolidated Group' or 'Group').

BPH Energy Limited is a company incorporated and domiciled in Australia and listed on the Australian Securities Exchange.

The financial report was authorised for issue on 13 August 2014 by the board of directors.

### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. BPH Energy Ltd is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where stated below.

### Compliance with IFRS

The consolidated financial statements of BPH Energy Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### Financial Position

The consolidated entity has incurred losses for the year ended 30 June 2014 of $1,266,079 (2013: losses of $594,908) and has a net cash outflow from operating activities of $400,388 (2013: $412,426). The Group has a working capital deficit of $1,177,793 (See note 18 b) (2013: surplus of 1,838,120).

Included in trade creditors and payables is director fee accruals of $806,902 (30 June 2013: $598,111). 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 for at least a period of 12 months to conserve cash resources.

The group has current financial liabilities of $561,836. Subsequent to year end the Group has received confirmation from the lender that the current financial liabilities of $561,836 $ (2013: $502,978) will not be called for a period of 12 months from the date of this financial report or until such time as the Group is financially independent. The directors have prepared cash flow forecasts that indicate that the consolidated entity will have sufficient cash flows via debt and equity funding for a period of at least 12 months from the date of this report.

Based on the cash flow forecasts and the monitoring of operational costs, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

## 1. Statement of Significant Accounting Policies (continued)

### Accounting Policies

### (a) Principles of Consolidation

*(i) Subsidiaries*
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A list of controlled entities is contained in Note 20 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

*(ii) Changes in ownership interests*
Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

**1. Statement of Significant Accounting Policies (continued)**

**Accounting Policies (continued)**

**(b) Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the statement of financial position date.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of comprehensive income except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

BPH Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the tax consolidation regime. The Group notified the Australian Taxation Office on 30 June 2006 that it had formed an income tax consolidated Group to apply from 30 June 2006. The tax consolidated Group has entered a tax funding agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated Group.

**Tax incentives**
The company may be entitled to claim special tax deductions in relation to qualifying expenditure. As the company is not in a position to recognise current income tax payable or current tax expense, a refundable tax offset will be received in cash and recognised as rebate revenue in the period the underlying expenses have been incurred.

**(c) Property, Plant & Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**
Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

## 1. Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

### (c) Property, Plant & Equipment

**Plant and equipment (continued)**
The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**Depreciation**
The depreciable amount of fixed assets is depreciated on a straight-line basis over their useful lives.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 15 - 33 % |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### (d) Financial Instruments

**Recognition and Initial Measurement**
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

**Derecognition**
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**1. Statement of Significant Accounting Policies (continued)**

**Accounting Policies (continued)**

**(d) Financial Instruments (continued)**

**Classification and Subsequent Measurement**

*(i) Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of profit taking, where they are derivatives not held for cash flow hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

*(iii) Available-for-sale financial assets*

Available-for-sale (AFS) financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories.

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

*(iv) Financial liabilities*

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and valuation models using non-market inputs prepared by independent experts.

**Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity financial instruments, a significant or prolonged decline in the value of the instrument below cost is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

*Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

**1. Statement of Significant Accounting Policies (continued)**

**Accounting Policies (continued)**

**(d) Financial Instruments (continued)**

**Impairment (continued)**

*Assets carried at amortised cost (continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

*Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

**(e) Impairment of Assets**

The group reviews non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(f) Investments in Associates**

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The equity method of accounting recognises the Group's share of post-acquisition reserves of its associates.

### 1. Statement of Significant Accounting Policies (continued)

**Accounting Policies (continued)**

**(f) Investments in Associates (continued)**

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Dividends receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Where an investment is classified as a financial asset in accordance with AASB 139, at the date significant influence is achieved, the fair value of the investment needs to be assessed. Any fair value gains are recognised in accordance with the treatment the classification the financial asset as required by AASB 139.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

**(g) Intangibles**

**Research**

Expenditure during the research phase of a project is recognised as an expense when incurred.

**Patents and Trademarks**

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 10 years.

**(h) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Short term employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Long term employee benefits have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**(i) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

## 1. Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

### (j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### (k) Revenue and Other Income

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised by reference to the stage of completion of the contract.

All revenue is stated net of the amount of goods and services tax (GST).

### (l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (m) Trade and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days.

### (n) Share based payments

The fair value of options granted under the Company's Employee Option Plan is recognized as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

**1. Statement of Significant Accounting Policies (continued)**

**Accounting Policies (continued)**

**(o) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, the directors (see Note 23).

**(p) Earnings per share**

Basic earnings per share (EPS) is calculated as net profit/loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**(q) Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

*Key judgements — Provision for Impairment of Loans Receivables*
Included in the accounts of Consolidated entity are amounts from current loan receivables of $97,625 (2013: $1,637,691) and non-current loan receivables of $2,995,145 (2013: $941,679). The directors believe that the full amount of the debt will be recoverable from each entity and that no provision for impairment of receivables has been made at 30 June 2014. The directors obtained an independent expert's valuation report at year end which supports the recoverable amount of loan receivables. The recoverable amount exceeded the carrying value of the loans and hence no impairment loss was recognised.

*Key Judgments —Impairment of Intangible Assets*
No impairment has been recognised in respect of intangible assets for the year ended 30 June 2014 (2013: $nil). The directors believe that the carrying value of all intangibles is appropriate after reviewing the status of each entity's developments. The directors are confident that the products will provide the necessary returns to the Company.

*Key Judgments —Provision for impairment of Investments in Associates*
The directors obtained an independent expert's valuation report at year end which supports the recoverable amount of the investments in associates of $48,640,707 (2013: $49,690,539).

Investment in Molecular Discovery Systems
The recoverable amount of the investment in Molecular Discovery Systems Limited was less than the carrying amount of the investment and hence an impairment loss of $736,965 was recognised (2013 $nil) – refer to note 13.

Investment in Advent Energy Ltd
Refer to note 13.

**1. Statement of Significant Accounting Policies (continued)**

**Accounting Policies (continued)**

**(r) Application of New and Revised Accounting Standards**

**Standards adopted in the current year**

The group has adopted a number of new or revised accounting standards this year that have resulted in changes in accounting policies in the financial statements.

**(i) AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interests in Other Entities (2011)**

AASB 10 Consolidated Financial Statements was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements.

The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests. The adoption of these standards has not had a significant impact.

**(ii) AASB 11 Joint Arrangements**

AASB 11 replaces AASB 131 Interests in Joint Ventures and the guidance contained in a related interpretation, Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

Previously, AASB 131 Interests in Joint Ventures contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expense incurred jointly). Each joint operation accounts for the assets and, liabilities, as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

During the period, the Company did not hold investments in joint arrangements and consequently, the new standard did not have any impact in the financial report.

**1. Statement of Significant Accounting Policies (continued)**

**Accounting Policies (continued)**

**(r) Application of New and Revised Accounting Standards (continued)**

**Standards adopted in the current year (continued)**

**(iii) AASB 13 Fair Value Measurement (2011)**
AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative liabilities changed on transition to AASB 13, due to incorporating own credit risk into the valuation.

As required under AASB 13, the change to fair value measurements on adoption of the standard is applied prospectively, in the same way as a change in an accounting estimate. Comparative amounts have not been restated.

**(iv) AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'**
This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures' As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

**Standards in issue not yet adopted**
A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

**(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)**
AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities.

The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The standard is not expected to have a material impact on the group financial instruments.

**(ii) AASB 1031 Materiality (2013)**
The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The revised AASB 1031 is effective from 1 January 2014 and early adoption is not permitted.

AASB 1031 (2013) is effective for annual periods beginning on or after 1 January 2014 and not available for early adoption.

**1. Statement of Significant Accounting Policies (continued)**

**Accounting Policies (continued)**

**(r) Application of New and Revised Accounting Standards (continued)**

**Standards in issue not yet adopted (continued)**

**(iii) AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments**
The AASB approved amending Standard AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments on 20 December 2013. AASB 2013-9 incorporates the IASB's Standard IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39).

Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1 *Amendments to the Australian Conceptual Framework*. Part B mainly makes amendments to particular Australian Accounting Standards to delete references to AASB 1031.

Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments. The main amendments regarding financial instruments are as follows:
- to add Hedge Accounting and make consequential amendments to AASB 9 and numerous other Standards;
- to permit requirements relating to the 'own credit risk' of financial liabilities measured at fair value to be applied without applying any other requirements of AASB 9 at the same time; and
- to amend the mandatory application date of AASB 9 so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2017 instead of 1 January 2015.

AASB 2013-9 is effective for annual periods beginning on or after 1 January 2014.

| | Consolidated | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| **2. Revenue** | | |
| ***Revenue*** | | |
| Interest revenue cash accounts | 10,286 | 36,376 |
| Interest revenue : other entities | 141,277 | 151,332 |
| | 151,563 | 187,708 |
| ***Other income*** | | |
| Consultancy fees | 114,100 | 114,100 |
| | 114,100 | 114,100 |
| **3. Expenses Included in Loss for the year** | | |
| Depreciation | | |
| - Depreciation | 302 | 800 |
| Employee costs | | |
| - Salary | 201,095 | 187,933 |
| - Superannuation | 15,622 | 14,015 |
| - Director fees | 110,416 | 125,000 |
| - Share based payments | 16,080 | 3,056 |
| - Other payroll costs | 1,515 | 6,361 |
| Total employee costs | 344,728 | 336,365 |

**4. Key Management Personnel Compensation**

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

***Key Management Personnel***
D L Breeze - Executive Chairman
H Goh – Non Executive Director
G Gilbert – Non Executive Director (resigned 11 December 2013)
D Ambrosini – Executive Director and Company Secretary

| | Consolidated | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Short term employee benefits | 208,416 | 223,000 |
| | 208,416 | 223,000 |

Key management personnel remuneration has been included in the Remuneration report section of the Directors Report.

## 4. Key Management Personnel Compensation (continued)

**Options and Rights Holdings**

**2014 Number of Options Held by Key Management Personnel**

| | Balance 1.7.2013 | Granted as Compensation | Options Exercised | Net Change Other* | Balance 30.6.2014 | Total Vested 30.6.2014 | Total Exercisable and Vested 30.6.2014 | Total Unexercisable 30.6.2014 |
|---|---|---|---|---|---|---|---|---|
| D L Breeze | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 | 1,000,000 | - |
| G Gilbert | - | - | - | - | - | - | - | - |
| H Goh | - | - | - | - | - | - | - | - |
| D Ambrosini | 500,000 | - | - | - | 500,000 | 500,000 | 500,000 | - |

**2013 Number of Options Held by Key Management Personnel**

| | Balance 1.7.2012 | Granted as Compensation | Options Exercised | Net Change Other * | Balance 30.6.2013 | Total Vested 30.6.2013 | Total Exercisable and Vested 30.6.2013 | Total Unexercisable 30.6.2013 |
|---|---|---|---|---|---|---|---|---|
| D L Breeze | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 | 1,000,000 | - |
| G Gilbert | - | - | - | - | - | - | - | - |
| H Goh | - | - | - | - | - | - | - | - |
| D Ambrosini | 1,000,000 | - | - | (500,000) | 500,000 | 500,000 | 500,000 | - |

*The Net Change Other reflected above includes those options that have been forfeited by holders, directors that have resigned, options that have expired and recompliance of holdings during the year.

**Shareholdings**

**2014 Number of Shares Held by Key Management Personnel**

| | Balance 1.7.2013 | Received as Compensation | Options Exercised | Net Change Other* | Balance 30.6.2014 |
|---|---|---|---|---|---|
| D L Breeze | 6,509,811 | - | - | - | 6,509,811 |
| G Gilbert | 480,769 | - | - | (480,769) | - |
| H Goh | 480,769 | - | - | - | 480,769 |
| D Ambrosini | - | - | - | - | - |

**2013 Number of Shares Held by Key Management Personnel**

| | Balance 1.7.2012 | Received as Compensation | Options Exercised | Net Change Other | Balance 30.6.2013 |
|---|---|---|---|---|---|
| D L Breeze | 6,509,811 | - | - | - | 6,509,811 |
| G Gilbert | 480,769 | - | - | - | 480,769 |
| H Goh | 480,769 | - | - | - | 480,769 |
| D Ambrosini | - | - | - | - | - |

*The Net Change Other reflected above includes those shares of directors that have resigned during the year.

| | Consolidated | |
|---|---|---|
| | 2014 $ | 2013 $ |

## 5. Auditors' Remuneration

| | | |
|---|---|---|
| Remuneration of the auditor of the parent entity for: | | |
| - auditing or reviewing the financial report | | |
| Nexia Perth Audit Services | 37,655 | 34,000 |
| | 37,655 | 34,000 |

## 6. Earnings per share

| | Consolidated | |
|---|---|---|
| | 2014 $ | 2013 $ |
| For basic and diluted Earnings Per Share | | |
| Total earnings per share attributable to ordinary equity holders of the company | (1,253,563) | (568,454) |
| Earnings used in the calculation of basic earnings per share and diluted earnings per share | (1,253,563) | (568,454) |
| For basic and diluted Earnings Per Share | | |
| From continuing operations | (0.73) | (0.33) |
| Total Basic Earnings per Share and Diluted Earnings per Share | (0.73) | (0.33) |
| | No. | No. |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS | 172,562,245 | 172,562,245 |

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options will result in a decreased net loss per share.

| | Consolidated | |
|---|---|---|
| | 2014 $ | 2013 $ |

## 7. Cash and cash equivalents

| | | |
|---|---|---|
| Cash at Bank and in hand | 173,133 | 892,836 |
| Short-term bank deposits | 7,978 | 7,763 |
| | 181,111 | 900,599 |

**Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | 181,111 | 900,599 |

| | Consolidated | |
|---|---|---|
| | 2014 $ | 2013 $ |
| **8. Trade and other receivables** | | |
| **CURRENT** | | |
| Other receivables | 3,848 | 1,977 |
| | 3,848 | 1,977 |
| **9. Other Assets** | | |
| **CURRENT** | | |
| Prepaid insurance | 27,863 | 29,660 |
| | 27,863 | 29,660 |
| **10. Financial Assets** | | |
| **Loans and receivables at amortised cost** | | |
| **Current** | | |
| Unsecured Loans to other entities: (a) | | |
| Grandbridge Limited | 55,645 | 55,645 |
| MEC Resources Ltd | 2,494 | 2,494 |
| Advent Energy Ltd | 39,486 | 39,486 |
| Secured Loans to other entities: (b) | | |
| Cortical Dynamics Limited | - | 1,142,376 |
| Molecular Discovery Systems Limited | - | 397,690 |
| | 97,625 | 1,637,691 |
| **Non - Current** | | |
| **Loans and receivables at amortised cost** | | |
| Unsecured Loans to other entities: (a) | | |
| Cortical Dynamics Limited | 485,070 | 485,070 |
| Molecular Discovery Systems Limited | 575,200 | 461,100 |
| Secured Loans to other entities: (b) | | |
| Cortical Dynamics Limited | 1,469,827 | - |
| Molecular Discovery Systems Limited | 416,099 | - |
| **Available for sale financial assets at fair value** | | |
| Investments in unlisted entities (c) | 48,949 | 48,949 |
| | 2,995,145 | 995,119 |

(a) Unsecured loans

These loans to other entities are non-interest bearing and payable on demand. The company has, however, issued letters to these entities confirming that they will not call upon their loans for at least 12 months from signing the financial report or until such time the company is financially independent.

**10. Financial assets (continued)**

(b) Secured loans

These loans are secured by a charge over all of the assets and undertakings of each entity and interest bearing. Subject to the conditions of the agreement BPH Energy has the right to conversion to satisfy the debt on or before the termination date.

The company has a convertible loan agreement with MDSystems. The loan is for a maximum amount of $500,000 and is to be used for short term working capital requirements. Subject to MDSystems being admitted to the Official list, BPH Energy has a right of conversion to satisfy the debt on or before the termination date. As at reporting date the loan had been drawn down by an amount of $416,099 (2013: $397,690).

The company has two convertible loan agreements with Cortical Dynamics. One loan is for a maximum amount of $500,000 and is to be used for short term working capital requirements. Subject to Cortical being admitted to the Official list, BPH Energy has a right of conversion to satisfy the debt on or before the termination date. As at reporting date the loan had been drawn down by an amount of $464,561 (2013: $479,371).

On 28th February 2012 BPH Energy entered into a second convertible loan agreement with Cortical Dynamics. The facility is for a maximum amount of $1,000,000 and has an annual interest rate of 9.40%. The loan will be used for short term working capital requirements and funding further development of the BAR monitor. The loan is convertible at BPH's election if Cortical is unsuccessful in its application for admission to the Official List. As at reporting date the loan had been drawn down by an amount of $1,005,266 (2013: $663,005).

| | Consolidated | |
|---|---|---|
| | **2014** **$** | **2013** **$** |
| (c) Available for sale financial assets at fair value | | |
| Cortical Dynamics Limited | 48,949 | 48,949 |
| | 48,949 | 48,949 |

**11. Intangible assets**

| | | |
|---|---|---|
| Patent costs capitalised | | |
| Cost | 72,454 | 72,454 |
| Accumulated amortisation and impairment | - | - |
| Net carrying value | 72,454 | 72,454 |
| Total intangibles | 72,454 | 72,454 |

Patent costs include all costs associated with the filing and maintenance of the patents for the company's technologies.

**12. Property, Plant and Equipment**

| | | |
|---|---|---|
| Plant and Equipment: | | |
| At cost | 41,486 | 41,486 |
| Accumulated depreciation | (41,317) | (41,015) |
| Total Property, Plant and Equipment | 169 | 471 |

| | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|
| **12. Property, Plant and Equipment (continued)** | | |
| **(a) Movements in Carrying Amounts** | | |
| Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year. | | |
| Balance at the beginning of the year | 471 | 1,271 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (302) | (800) |
| Carrying amount at the end of the year | 169 | 471 |

## 13. Investments accounted for using the equity method

| | 2014 | 2013 |
|---|---|---|
| **Shares in Associates** | | |
| Advent Energy Limited | 48,028,838 | 48,296,464 |
| Molecular Discovery Systems Limited | 611,869 | 1,394,075 |
| | 48,640,707 | 49,690,539 |

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

| Name of Entity | Country of Incorporation | Ownership Interest % 2014 | Ownership Interest % 2013 | Principal Activity |
|---|---|---|---|---|
| Molecular Discovery Systems Limited | Australia | 20% | 20% | Biomedical Research |
| Advent Energy Limited | Australia | 27% | 27% | Oil and Gas Exploration |

The consolidated group's associate, Advent Energy Ltd, has commitments for its exploration permits of $3,997,500 over the next 12 months. To assist in meeting these commitments Advent is continually seeking and reviewing potential sources of both equity and debt funding. Advent is currently in negotiations with a number of parties on the terms of investment, however there is no certainty at this stage that those discussions will result in further funding being made available. Advent Energy's wholly owned subsidiary, Asset Energy, has lodged an application with the National Offshore Petroleum Titles Administrator ("NOPTA") to suspend the year 2 work commitment for Petroleum Exploration Permit 11("PEP11") and request a subsequent extension of the permit term. Asset is currently required to complete 200km of 2D seismic within the PEP 11 area by 12 August 2014. Asset recently announced that it has commenced preparations for seismic and it is intending to perform a 3D seismic survey of approximately 225 km2 over a 4 – 5 week period between November 2014 and May 2015.The application for deferral is currently being assessed by NOPTA.

In addition, Advent is committed to drill an exploration well by March 2015 for EP 386. These 2 commitments comprise the significant balance of $3,997,500.

While management is confident the commitments under the exploration permits or as varied by the relevant authorities will be met, the above conditions indicate the uncertainty that may affect the ability of the group to realise the carrying value of the group's investment in Advent in the ordinary course of business.

## 13. Investments accounted for using the equity method (continued)

### (a) Summarised financial information of associates

The results of its associates aggregated assets (including goodwill) and liabilities, including the Group's share of net assets and net loss for the period are as follows:

| | Total of Associate | | | | | | | Reconciliation to the Carrying Amount | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Current Assets** | **Non-Current Assets** | **Current Liabilities** | **Non-Current Liabilities** | **Revenues** | **Loss for the Year** | **Total Compre-hensive Loss for the Year** | **Net Assets of Associate** | **Ownership interest %** | **Goodwill** | **Other Adjust-ments*** | **Carrying Amount of the Group's Interest** |
| **2014** | | | | | | | | | | | | |
| Molecular Discovery Systems Ltd | 172,838 | 393,585 | 455,623 | 803,083 | 56,000 | (226,207) | (226,207) | (138,457) | 20 | 1,487,291 | (736,965) | 611,869 |
| | 172,838 | 393,585 | 455,623 | 803,083 | 56,000 | (226,207) | (226,207) | (138,457) | | 1,487,291 | (736,965) | 611,869 |
| Advent Energy Ltd | 259,999 | 29,843,078 | 1,143,345 | 3,600,000 | 12,364 | (989,727) | (989,727) | 6,950,089 | 27.4 | 19,628,749 | 21,450,000 | 48,028,838 |
| | 259,999 | 29,843,078 | 1,143,345 | 3,600,000 | 12,364 | (989,727) | (989,727) | 6,950,089 | | 19,628,749 | 21,450,000 | 48,028,838 |
| **2013** | | | | | | | | | | | | |
| Molecular Discovery Systems Ltd | 218,752 | 465,300 | 431,705 | 718,425 | 128,000 | (198,589) | (198,589) | (93,216) | 20 | 1,487,291 | - | 1,394,075 |
| | 218,752 | 465,300 | 431,705 | 718,425 | 128,000 | (198,589) | (198,589) | (93,216) | | 1,487,291 | - | 1,394,075 |
| Advent Energy Ltd | 1,768,195 | 29,871,792 | 5,297,962 | - | 80,866 | (2,209,604) | (2,209,604) | 7,217,715 | 27.4 | 19,628,749 | 21,450,000 | 48,296,464 |
| | 1,768,195 | 29,871,792 | 1,697,962 | - | 80,866 | (2,209,604) | (2,209,604) | 7,217,715 | | 19,628,749 | 21,450,000 | 48,296,464 |

* Other adjustments comprise:

*Molecular Discovery Systems Ltd – Impairment Loss:* At 30 June 2014, the directors obtained an independent expert's valuation report which indicated that the carrying value of BPH's investment was impaired. Accordingly, an adjustment for the difference in the carrying value and fair value of BPH's investment in MDS was recognised this year.

*Advent Energy Ltd – Revaluation Gain:* In 2010, BPH performed a step acquisition of Advent to eventually hold a significant influence (20%) in the company. At the time that Advent was first recognised as an associate, the increase in fair value was recognised through other comprehensive income.

## 14. Income Tax Expense

| | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|
| (a) The components of tax expense/(benefit) comprise: | | |
| Adjustments recognised in the current year in relation to the current tax of prior years | 1,806 | - |
| Current tax | - | - |
| Deferred income tax credit | (316,366) | (431,852) |
| | (314,560) | (431,852) |
| Deferred income tax (credit)/expense included in income tax expense comprises: | | |
| Increase in deferred tax assets (note 29) | (54,350) | - |
| Decrease in deferred tax liabilities (note 29) | (262,016) | (431,852) |
| | (316,366) | (431,852) |
| (b) The prima facie tax on profit from operations before income tax is reconciled to the income tax as follows: | | |
| Prima facie tax payable on profit from operations before income tax at 30% (2013: 30%) | (474,192) | (308,028) |
| Add tax effect of: | | |
| Non deductible expenses | 4,609 | 6,127 |
| Tax benefit of revenue losses not recognised | (1,806) | - |
| Effect of previously unrecognised and unused tax losses now recognised as deferred tax assets | 58,309 | - |
| Temporary differences | 98,520 | (129,951) |
| Income tax benefit recognised | (314,560) | (431,852) |
| (c) Income tax expense recognised in other comprehensive income | | |
| Fair value gain adjustments | - | - |
| | - | - |
| (d) Current tax liabilities | | |
| Income tax | - | - |
| | - | - |

## 15. Trade and other payables

| | 2014 $ | 2013 $ |
|---|---|---|
| Trade payables | 24,183 | 32,236 |
| Sundry payables and accrued expenses | 874,358 | 669,911 |
| | 898,541 | 702,147 |

| | Consolidated | |
|---|---|---|
| | 2014 $ | 2013 $ |
| **16. Financial Liabilities** | | |
| Current | | |
| Current borrowings – unsecured | 561,836 | - |
| | 561,836 | - |
| Non - Current | | |
| Non - Current borrowings – unsecured | - | 502,978 |
| | - | 502,978 |
| **17. Provisions** | | |
| Employee entitlements: | | |
| Opening balance at 1 July 2013 | 26,432 | 20,072 |
| Reduction/addition to provision | 1,525 | 6,360 |
| Balance at 30 June 2014 | 27,957 | 26,432 |
| Current | 23,409 | 26,432 |
| Non-Current | 4,548 | - |
| | 27,957 | 26,432 |

Provisions have been recognised for employee entitlements relating to annual leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

| | Consolidated | |
|---|---|---|
| | 2014 $ | 2013 $ |
| **18. Issued Capital** | | |
| 172,562,245 (2013: 172,562,245) fully paid ordinary shares | 41,511,195 | 41,511,195 |

The Company has no authorised capital and the issued shares do not have a par value.

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | 2014 $ | 2013 $ | 2014 No. | 2013 No. |
| **(a) Ordinary Shares** | | | | |
| At the beginning of reporting period | 41,511,195 | 41,511,195 | 172,562,245 | 172,562,245 |
| At reporting date | 41,511,195 | 41,511,195 | 172,562,245 | 172,562,245 |

## 18. Issued Capital (continued)

**Capital Raising**
There were nil options exercised during the year (2013: nil).

**Fully Paid Ordinary Share Capital**
Fully paid ordinary shares carry one vote per share and carry the right to dividends.

**Options**
There were 2,975,000 employee options on issue at the end of the year:

| Total number | Exercise price | Expiry date |
|---|---|---|
| 75,000 | $0.594 | 30 September 2014 |
| 1,500,000 | $0.894 | 31 December 2014 |
| 325,000 | $0.160 | 21 January 2016 |
| 1,075,000 | $0.080 | 30 June 2018 |
| 2,975,000 | | |

The market price of the company's ordinary shares at 30 June 2014 was 0.008 cents.

The holders of options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

**(b) Capital risk management**

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

The focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2014 and 30 June 2013 are as follows:

| | Consolidated | |
|---|---|---|
| | 2014<br>$ | 2013<br>$ |
| Cash and cash equivalents | 181,111 | 900,599 |
| Trade receivables and financial assets | 101,473 | 1,639,668 |
| Trade payables and financial liabilities | (1,460,377) | (702,147) |
| Working capital position* | (1,177,793) | 1,838,120 |

***Refer to note 1 for further details of the Group's financial position and plans to manage the working capital deficit at 30 June 2014.

| Reconciliation of movement | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|
| **19. Reserves** | | |
| Options Reserve (a) | 435,726 | 419,646 |
| Asset Revaluation Reserve (b) | 15,015,000 | 15,015,000 |
| | 15,450,726 | 15,434,646 |

**(a) Option Reserve**

The option reserve records items recognized as expenses on the valuation of Director and Employee share options.

| Reconciliation of movement | | |
|---|---|---|
| Opening balance | 419,646 | 416,590 |
| Option charges during the year | 16,080 | 3,056 |
| Closing balance | 435,726 | 419,646 |

**(b) Asset Revaluation Reserve**

The asset revaluation reserve records the revaluation of available for sale investments to fair value.

| | | |
|---|---|---|
| Opening balance | 15,015,000 | 15,015,000 |
| Available for sale asset revalued to fair value (net of tax) | - | - |
| Closing balance | 15,015,000 | 15,015,000 |

**20. Controlled Entities**

| Name of Entity | Principal Activity | Country of Incorporation | Ownership Interest % 2014 | Ownership Interest % 2013 |
|---|---|---|---|---|
| **Parent Entity** | | | | |
| BPH Energy Ltd | Investment | Australia | | |
| **Subsidiaries of BPH Energy Ltd** | | | | |
| Diagnostic Array Systems Pty Ltd | BioMedical Research | Australia | 51.82 | 51.82 |

| | Consolidated | |
|---|---|---|
| | 2014<br>$ | 2013<br>$ |
| **21. Cash Flow Information** | | |
| **(a) Reconciliation of Cash Flow from Operations with Profit after income tax** | | |
| Operating loss after income tax | (1,266,079) | (594,908) |
| Non-cash flows in profit: | | |
| Depreciation and amortisation | 302 | 800 |
| Interest Revenue | (141,277) | (151,332) |
| Share based payment expense | 16,080 | 3,056 |
| Intercompany recharges | 59,275 | 73,496 |
| Share of Associates' Losses | 312,867 | 562,945 |
| Impairment of investment in associate | 736,965 | - |
| Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries | | |
| (Increase)/decrease in trade and other receivables | (1,871) | - |
| Decrease/(increase) in other assets | 1,797 | (11,471) |
| Increase/(decrease) in provisions | 1,525 | 6,360 |
| Increase in trade payables and accruals | 196,394 | 130,480 |
| (Decrease) in deferred tax liabilities | (316,366) | (431,852) |
| **Cash outflow from operations** | (400,388) | (412,426) |
| | | |
| **(b) Financing Facilities** | | |
| Credit card facility (limit) | 20,000 | 20,000 |
| Used credit card facility | - | - |

## 22. Financial Risk Management

### a) Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, investments, accounts receivable and payable, and loans to and from subsidiaries. The main purpose of non-derivative financial instruments is to raise finance for Group operations policies.

**i. Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and equity price risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate financial assets. The group's financial liabilities are currently not exposed to interest rate risk as the group has no interest bearing financial liabilities.

**22. Financial Risk Management (continued)**

**a) Financial Risk Management (continued)**

**i. Financial Risk Exposures and Management (continued)**

Liquidity risk
The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows.

Credit risk
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The directors obtained an independent expert's valuation report at year end which supports the recoverable amount of loan receivables. The recoverable amount exceeded the carrying value of the loans and hence no impairment loss was recognised.

Foreign currency risk
The Group is not exposed to any material risks in relation to fluctuations in foreign exchange rates.

**b) Financial Instruments**

**i. Interest rate risk**
The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, based on contractual maturities, is as follows:

**Consolidated Group**

| 2014 | Weighted Effective Interest Rate % | Floating Interest Rate $ | Fixed Interest Rate 1 Year or less | Fixed Interest Rate 1 to 5 Years | Non-Interest Bearing $ | Total $ |
|---|---|---|---|---|---|---|
| ***Financial Assets*** | | | | | | |
| Cash and cash equivalents | 2.27 | 181,111 | - | - | - | 181,111 |
| Trade and other receivables | | - | - | - | 3,848 | 3,848 |
| Other financial assets* | 8.58 | - | 1,885,926 | - | 1,157,895 | 3,043,821 |
| ***Total Financial Assets*** | | 181,111 | 1,885,926 | - | 1,161,743 | 3,228,780 |
| ***Financial Liabilities*** | | | | | | |
| Trade and sundry payables | | - | - | - | 898,541 | 898,541 |
| Financial liabilities | | - | - | - | 561,836 | 561,836 |
| ***Total Financial Liabilities*** | | - | - | - | 1,460,377 | 1,460,377 |

* The non-interest bearing loans made to other entities are repayable on demand. The company has, however, issued letters to these entities confirming that they will not call upon their loans for at least 12 months from signing the financial report or until such time the company is financially independent.

**22. Financial Risk Management (continued)**

**b) Financial Instruments (continued)**

**i. Interest rate risk (continued)**

| 2013 | Weighted Effective Interest Rate % | Floating Interest Rate $ | Fixed Interest Rate 1 Year of less | Fixed Interest Rate 1 to 5 Years | Non-Interest Bearing $ | Total $ |
|---|---|---|---|---|---|---|
| ***Financial Assets*** | | | | | | |
| Cash and cash equivalents | 2.5 | 900,599 | - | - | - | 900,599 |
| Trade and other receivables | | - | - | - | 1,977 | 1,977 |
| Other financial assets | 8.58 | - | 1,540,066 | - | 1,043,795 | 2,583,861 |
| ***Total Financial Assets*** | | 900,599 | 1,540,066 | - | 1,045,772 | 3,486,437 |
| ***Financial Liabilities*** | | | | | | |
| Trade and sundry payables | | - | - | - | 702,147 | 702,147 |
| ***Financial liabilities*** | | - | - | - | 502,978 | 502,978 |
| ***Total Financial Liabilities*** | | - | - | - | 1,205,125 | 1,205,125 |

**ii. Fair Values**

The fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- For unlisted investments where there is no organised financial market, the fair value has been based on valuation techniques incorporating non-market data prepared by independent valuers.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| ***Financial Assets*** | | | | |
| Available-for-sale financial assets | 48,949 | 48,949 | 48,949 | 48,949 |
| Loans and receivables | 3,043,821 | 3,043,821 | 2,585,838 | 2,585,838 |
| | 3,092,770 | 3,092,770 | 2,634,787 | 2,634,787 |
| ***Financial Liabilities*** | | | | |
| Other loans and amounts due | 561,836 | 561,836 | 502,978 | 502,978 |
| Trade payables | 898,541 | 898,541 | 702,147 | 702,147 |
| | 1,460,377 | 1,460,377 | 1,205,125 | 1,205,125 |

**22. Financial Risk Management (continued)**

**b) Financial Instruments (continued)**

**iii. Sensitivity Analysis**
**Interest Rate Risk**
The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

The effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | Consolidated Group | |
|---|---|---|
| | **2014** | **2013** |
| **Change in profit** | | |
| — Increase in interest rate 1% | 9,005 | 14,412 |
| — Decrease in interest rate by 0.5% | (4,503) | (7,206) |

**iv. Liquidity risk**
The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The following are the contractual maturities at the end of the reporting period of financial liabilities.

**30 June 2014**

| | | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total** | **2 mths or less** | **2-12 mths** | **1-2 years** | **2-5 years** | **More than 5 years** |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | 898,541 | (898,541) | - | (898,541) | - | - | - |
| Unsecured loan | 561,836 | (561,836) | - | (561,836) | - | - | - |
| | 1,460,377 | (1,460,377) | - | (1,460,377) | - | - | - |

**30 June 2013**

| | | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total** | **2 mths or less** | **2-12 mths** | **1-2 years** | **2-5 years** | **More than 5 years** |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | 702,147 | (702,147) | - | (702,147) | - | - | - |
| Unsecured loan | 502,978 | (502,978) | - | - | (502,978) | - | - |
| | 1,205,125 | (1,205,125) | - | (702,147) | (502,978) | - | - |

**22. Financial Risk Management (continued)**

**(c) Fair value measurements recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between and of the levels for recurring fair value measurements during the year.

Specific valuation techniques used to value financial instruments include:

- For unlisted investments where there is no organised financial market, the fair value has been based on valuation techniques incorporating non-market data prepared by independent valuers.

**30 June 2014**

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Available for sale financial assets | | | | |
| - Investments in unlisted entities | - | - | 48,949 | 48,949 |
| Total | - | - | 48,949 | 48,949 |

**30 June 2013**

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Available for sale financial assets | | | | |
| - Investments in unlisted entities | - | - | 48,949 | 48,949 |
| Total | - | - | 48,949 | 48,949 |

Reconciliation of fair value measurements of financial assets

| | **2014** | **2013** |
|---|---|---|
| | Level 3 | Level 3 |
| Opening balance | 48,949 | 48,949 |
| Reclassifications | - | - |
| Purchases | - | - |
| Total gains or losses in other comprehensive income | - | - |
| Total gains or losses in the profit and loss | - | - |
| Closing balance | 48,949 | 48,949 |

Based on valuations prepared by independent experts, management have made an assessment and believe that there is no material change in the fair value of their investments at reporting date

The fair value of the Group's investment in Cortical Dynamics as at 30 June 2014 has been arrived at on the basis of a valuation performed on the respective date by an independent expert valuer to the company. The valuer holds the appropriate qualifications and recent experience in the valuation of investments of this nature. The fair value was determined using the relative valuation methodology. The approach considers the value of broadly comparable listed entities which are at a similar stage of biotechnology product life cycle to Cortical Dynamics. The valuation supported the carrying value of BPH's AFS investment in the company.

### 23. Operating Segment

Operating segments have been identified on the basis of internal reports of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors. On a regular basis, the board receives financial information on the consolidated entity on a basis similar to the financial statements presented in the financial report, to manage and allocate their resources.

The consolidated entity's only operating segment is investments. The consolidated entity holds investments in two principal industries and these are biotechnology, and oil and gas exploration and development, as disclosed in Note 10 (c) and Note 13.

### 24. Events after the Statement of financial position Date

There have not been any matters or circumstances that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### 25. Related Party Transactions

*(a) Equity interests in controlled entities*

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 20 to the financial statements.

*(b) Directors' Remuneration*

Details of the directors' remuneration and retirement benefits are located in the Directors Report and in note 4.

*(c) Directors' Equity Holdings*

| | Parent | |
|---|---|---|
| | **2014 No.** | **2013 No.** |
| *Ordinary Shares* | | |
| Held as at the date of this report by directors and their director-related entities in: | | |
| BPH Energy Limited | 6,990,580 | 7,471,349 |
| *Other Equity Instruments* | | |
| Options | | |
| Held as at the date of this report by directors and their director-related entities in: | | |
| BPH Energy Limited | 1,500,000 | 1,500,000 |

*(d) Directors*

The Company has an agreement with Trandcorp Pty Limited on normal commercial terms procuring the services of David Breeze to provide product development services. $98,000 (2013: $98,000) was accrued during the year.

**25. Related Party Transactions (continued)**

*(e) Interest in Associates*

A loan receivable exists between BPH Energy and MDSystems $575,200 (2013:$461,100). This amount is unsecured, non interest bearing and repayable on demand.

A loan payable exists between BPH Energy and MDSystems $61,310 (2013:$61,310). This amount is unsecured, non interest bearing and repayable on demand.

A convertible loan agreement exists between BPH Energy and MDSystems. The loan is for a maximum amount of $500,000 and is to be used for short term working capital requirements. Subject to MDSystems being admitted to the Official list, BPH Energy has a right of conversion to satisfy the debt on or before the termination date. As at reporting date, the loan has been drawn down by an amount of $416,099 (2013: $397,690). Interest charged on the loan totalled $23,408 (2013: $46,700).

During the year, BPH Energy provided consultancy services to MDSystems of $114,100 (2013: $114,100).

A loan payable exists between Advent Energy and BPH Energy of $39,486 (2013: $ 39,486). This amount is unsecured, non interest bearing and repayable on demand.

*(f) Other Interests*

Cortical Dynamics is a related party of BPH Energy. Refer to Note 10 for the investment and loan receivables it has with the company.

**26. Share-Based Payments**

The following share-based payment arrangements existed at 30 June 2014:

| Total number | Grant Date | Exercise price | Fair value at grant date | Expiry date |
|---|---|---|---|---|
| 75,000 | 25 September 2009 | $0.594 | $0.0423 | 30 September 2014 |
| 1,500,000 | 24 December 2009 | $0.894 | $0.0266 | 31 December 2014 |
| 325,000 | 21 January 2011 | $0.160 | $0.0220 | 21 January 2016 |
| 1,075,000 | 1 July 2013 | $0.080 | $0.0013 | 30 June 2018 |
| 2,975,000 | | | | |

All options granted to key management personnel are to purchase ordinary shares in BPH Energy Limited, which confer a right of one ordinary share for every option held.

| | Consolidated Group | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Number of Options | Weighted Average Exercise Price $ | Number of Options | Weighted Average Exercise Price $ |
| Outstanding at the beginning of the year | 2,400,000 | 0.68 | 4,075,000 | 0.25 |
| Granted | 1,075,000 | 0.08 | - | - |
| Forfeited | - | - | - | - |
| Expired | (500,000) | 0.29 | (1,375,000) | 0.24 |
| Cancelled | - | - | (300,000) | 0.16 |
| Outstanding at year-end | 2,975,000 | 0.51 | 2,400,000 | 0.66 |
| Exercisable at year-end | 2,258,333 | 0.65 | 2,291,667 | 0.68 |

No options were exercised during the year ended 30 June 2014 (2013: nil).

Included under employee benefits expense in the profit and loss is $16,080 (2013: $3,056), and relates, in full, to equity.

## 27. Commitments and Contingencies

At reporting date there are no contingent liabilities.

## 28. Parent Entity Disclosures

| | Parent | |
|---|---|---|
| | **2014** **$** | **2013** **$** |
| **Financial Position** | | |
| **Assets** | | |
| Current assets | 306,407 | 3,531,426 |
| Non-current assets | 52,700,498 | 50,686,130 |
| Total asset | 53,006,905 | 54,217,556 |
| **Liabilities** | | |
| Current liabilities | 1,439,629 | 714,411 |
| Non-current liabilities | 3,675,724 | 4,361,115 |
| Total liabilities | 5,115,353 | 5,075,526 |
| **Equity** | | |
| Issued Capital | 41,511,195 | 41,511,195 |
| Retained earnings | (9,070,369) | (7,803,811) |
| Reserves | | |
| Option Reserve | 435,726 | 419,646 |
| Asset Revaluation Reserve | 15,015,000 | 15,015,000 |
| Total equity | 47,891,552 | 49,142,030 |
| **Financial Performance** | | |
| Profit/Loss for the year | (1,266,558) | (662,697) |
| Other comprehensive income | - | - |
| Total comprehensive income | (1,266,558) | (662,697) |

## 29. Tax

| | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|
| **(a) Liabilities** | | |
| CURRENT | | |
| Income tax | - | - |
| NON CURRENT | | |
| Deferred tax liabilities comprises: | | |
| Prepayments | 8,359 | 3,442 |
| Fair value gain adjustments | 6,023,740 | 6,290,673 |
| | 6,032,099 | 6,294,115 |
| **(b) Assets** | | |
| Deferred tax assets comprise: | | |
| Provisions | 8,387 | 7,229 |
| Accrued expenses | 6,562 | 190,953 |
| Tax losses | 2,433,860 | 2,196,277 |
| | 2,448,809 | 2,394,459 |
| **(c) Deferred tax** | | |
| Deferred tax balances are presented in the statement of financial position as follows: | | |
| Deferred tax assets | 2,448,809 | 2,394,459 |
| Deferred tax liabilities | (6,032,099) | (6,294,115) |
| Closing balance | (3,583,290) | (3,899,656) |

# Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 19 to 54 are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements;

   (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;

2. in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable:

3. the financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 1.

4. the directors have been given the declarations required by S295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors made pursuant to S295(5) of the Corporations Act 2001.

……………………………………………………
David Breeze
Executive Chairman

Dated this 13th day of August 2014

**Independent auditor's report to the members of BPH Energy Limited**

**Report on the financial report**

We have audited the accompanying financial report of BPH Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BPH Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

***Opinion***

In our opinion:

(a) the financial report of BPH Energy Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

***Emphasis of Matter***

We draw attention to Note 13 to the financial statements which describes the uncertainty around the basis of recognising the carrying value of an investment in an associate. Our opinion is not modified in respect of this matter.

**Report on the remuneration report**

We have audited the remuneration report included in pages 6 to 8 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

***Opinion***

In our opinion, the remuneration report of BPH Energy Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

NPAS

**Nexia Perth Audit Services Pty Ltd**

Amar Nathwani

**Amar Nathwani B.Eng, CA**
**Director**
Perth, 13 August 2014

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this report as follows.

The information is made up to 11th August 2014

## 1. Substantial Shareholder

The name of the substantial shareholder listed in the company's register is:

| Shareholder | Shares | % |
|---|---|---|
| MEC Resources Ltd | 14,366,095 | 8.33 |

## 2. (a) Distribution of Shareholders

| Range of Holding | Shareholders | Number Ordinary Shares | % |
|---|---|---|---|
| 1 – 1,000 | 416 | 179684 | 0.10 |
| 1,001 – 5,000 | 506 | 1673544 | 0.97 |
| 5,001 – 10,000 | 387 | 2,996,286 | 1.74 |
| 10,001 – 100,000 | 1,051 | 38,146,295 | 22.11 |
| 100,001 and over | 263 | 129,566,436 | 75.08 |
| | 2,623 | 172,562,245 | 100.00 |

The number of shareholders with less than a marketable parcel is 2,193, holding in total 27,440,878 shares.

### (b) Distribution of Unlisted Optionholders

| Range of Holding | Optionholders | Number of Options | % |
|---|---|---|---|
| 10,001 to 100,000 | 3 | 225,000 | 7.56 |
| 100,001 and over | 5 | 2,750,000 | 92.44 |
| | 10 | 2,975,000 | 100.00 |

## 3. Voting Rights - Shares

All ordinary shares issued by BPH Energy Limited carry one vote per share without restriction.

## 4. Voting Rights - Options

The holders of employee options do not have the right to vote.

## 5. Restricted Securities

### Shares

Number of Shares free of escrow 172,562,245

## 6. Twenty Largest Shareholders as at 11th August 2014

The names of the twenty largest shareholders of the ordinary shares of the company are:

| Name | Number of ordinary fully paid shares | % held of issued ordinary capital |
|---|---|---|
| MEC Resources Ltd | 14,366,095 | 8.33 |
| BT Portfolio Svcs Ltd | 5,877,013 | 3.41 |
| Trandcorp Pty Ltd | 4,772,500 | 2.77 |
| Gleneagle Sec Aust PL | 4,596,450 | 2.66 |
| JP Morgan Nom Aust Ltd | 3,649,371 | 2.11 |
| Lam Terry Luong | 3,600,000 | 2.09 |
| Grandbridge Limited | 3,389,100 | 1.96 |
| Jomot PL | 2,260,735 | 1.31 |
| Avatar Equities PL | 2,192,223 | 1.27 |
| Batras One PL | 2,149,872 | 1.25 |
| Pannu PL | 1,958,800 | 1.14 |
| Lam Terry L and Chan PS | 1,931,267 | 1.12 |
| Cottee Enid Ruth | 1,789,000 | 1.04 |
| Trandcorp Pty Ltd | 1,591,926 | 0.92 |
| Tre PL | 1,460,000 | 0.85 |
| Jamber Inv PL | 1,350,000 | 0.78 |
| Cox Leonard Keith and EM | 1,305,237 | 0.76 |
| Baruta Mark | 1,300,000 | 0.75 |
| Mccreed Simon Charles | 1,300,000 | 0.75 |
| Yewfong Co Pl | 1,250,000 | 0.72 |
| | 62,089,589 | 35.99 |