



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 2012
Previous Corresponding Reporting Period	30 June 2011

\$A'000

Revenues and other income from ordinary activities	Down	47%	to	186
Loss from ordinary activities after tax attributable to members	Up	235%	to	739
Net loss for the financial year attributable to members	Up	235%	to	739
Dividends (distributions)	Amount per security	Franked amount per security		
Final dividend	nil	nil		
Interim dividend				
Previous corresponding period	n/a	n/a		

Other notes to the condensed financial statements

	Current period	Previous corresponding Period
Ratios		
Profit before tax / revenue		
Consolidated loss from ordinary activities before tax as a percentage of revenue	(557.78)%	(594.53)%
Profit after tax / equity interests		
Consolidated net loss from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(1.52)%	(0.44)%

	Current period	Previous corresponding Period
NTA Backing		
Net tangible asset backing per ordinary security	30.80 cps	25.59 cps



	Current period	Previous corresponding period
Statement of Retained Earnings		
Balance at beginning of the year	(7,335,230)	(7,114,327)
Net loss attributable to members of the parent entity	(739,165)	(220,903)
Total available for appropriation		(7,335,230)
Dividends paid	-	-
Balance at year end	(8,074,395)	(7,335,230)

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	27.4	19.4	(232,310)	(1,097,998)
Molecular Discovery Systems Limited	20	20	(65,727)	(69,270)
Aggregate Share of Net Profits			(298,037)	(1,167,268)

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

Commentary on Results

The consolidated loss of the economic entity after providing for income tax was \$764,478 (2011 \$267,884).

The net assets of the economic entity decreased by \$2,104,769 to \$48,789,149 at 30 June 2012. This has largely resulted from cash balances decreasing by \$1,123,906 as BPH Energy Limited ("BPH") continued to provide financial support to its investee companies Molecular Discovery Systems Limited ("MDS") and Cortical Dynamics Limited ("Cortical Dynamics").

Significant Changes in State Of Affairs

During the period the Company entered into a selective buyback agreement with MEC Resources Limited ("MEC"). BPH agreed to buy back up to \$1.35 million of MEC's shareholding in the Company. The number of buy-back Shares was determined by dividing the total Consideration by the 5-day volume weighted average closing price of Shares prior to the date of the buy-back.

During the period BPH investee Cortical Dynamics was awarded the accolade of being named as one of the finalists in the health category of The Australian Innovation Challenge, a national innovation competition.

During the period Cortical Dynamics obtained ethics approval from the Human Research Ethics Committee of St Vincent's Hospital (St Vincent's), Melbourne. The study to commence in January 2012



will employ the Brain Anaesthesia Response (BAR) monitor to detect varying levels of anaesthetic agents in an operating room environment where the presence of multiple artifacts are known to complicate the EEG assessment of anaesthetic action

During the period Advent Energy Limited ("Advent") repaid an amount of \$1.8M in full and final settlement of its obligations under the secured loan agreement entered into with BPH on 15 June 2010.

During the period independent researchers in China found that reduced HLS5 levels were shown to correlate with worse tumour grade, increased tumour size and elevated serum AFP levels, a marker of liver cancer. The paper indicated that the loss of HLS5 expression is a critical event in liver cancer supporting the research performed by BPH's investee MDS and WAIMR.

BPH investee Advent achieved an independently assessed (RISC) mean Contingent Resource for the Weaber Gas Field (RL1) of 18.4 Bcf following reprocessing of seismic data and review of all available well data from Weaber. The field has been assessed as comprising a 3C upside potential Contingent Resource of 45.8 Bcf.

BPH investee Advent re-entered Vienta-1 located within EP 386 for the purpose of recompletion and production testing. Production testing on the lower zone of Vienta-1 was performed and the well observed strong pressure recovery. Advent also re-entered Waggon Creek-1 located within EP386, and 10km from Vienta-1, for the purpose of recompletion and production testing. The well was flowed for 6 hours before operations were suspended for the northern wet season.

Appendix 4E - Preliminary Final Report
BPH ENERGY LIMITED and its controlled subsidiaries
For the year ended 30 June 2012

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.

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: 30th August 2012
Company secretary

Print name: Deborah Ambrosini

BPH ENERGY LIMITED
ACN 095 912 002

Annual Report 2012

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Company Information

Directors

David Breeze – Chairman/Managing Director
Greg Gilbert – Non-Executive Director
Hock Goh – Non Executive Director
Deborah Ambrosini - Director and Company Secretary

Scientific Advisors

Professor Peter Klinken
Dr Robin Scaife

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

Deloitte Touche Tohmatsu
Level 14
Woodside Plaza
240 St Georges Terrace
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

Directors' Report

BPH Energy Limited and its controlled entities

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 2012.

Directors

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

D L Breeze
G Gilbert
H Goh
D Ambrosini

Company Secretary

Ms Deborah Ambrosini continues in her role of Company Secretary. She also holds the position of Financial Controller of the Company and has over 11 years experience in Corporate accounting roles.

Principal Activities

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

Operating Results

The consolidated loss of the economic entity after providing for income tax was \$764,478 (2011: loss \$267,884).

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 27.4% in unlisted Australian exploration company 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 estimated unrisksed OGIP in the range from 19 Tcf to 141 Tcf.

A mean contingent Resource of 18.4 Bcf for the Weaber Gas Field (RL1) has recently been assessed, by an independent third party as a component of Advent's drive to commercialise its 100% owned onshore Bonaparte Basin assets. The current rapid development of the Kununurra region in northern

Directors' Report

BPH Energy Limited and its controlled entities

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. The demonstration of an active hydrocarbon system with seeps reported in the offshore area and sampling indicated the presence of thermogenic hydrocarbon gas; this is considered to occur in basins actively generating hydrocarbons and /or that contain excellent migration pathways. Drilling during the period has shown that the early Permian geological sequence is mature for hydrocarbons. Whilst no hydrocarbons were encountered at prognosed target horizons reservoir quality sandstones of considerable thickness were observed. Invaluable information was obtained from the drilling that will allow Advent to further assess the numerous prospects and leads within PEP 11

Undiscovered prospective recoverable gas resources for structural targets within the PEP11 offshore permit have been estimated at 6 trillion cubic feet (at the P50 level) or up to 23.5 Tcf on a probabilistic mean calculation. PEP11 lies adjacent to the most populous region of Australia and the major industrial hub of Newcastle where LNG production facilities are being developed (independently of Advent).

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; 20% interest in Molecular Discovery Systems Limited and its interest in the Surface Enhanced Raman Spectroscopy ('SERS') project.

Molecular Discovery Systems Limited ('MDSystems')

Drug Discovery:

MDSystems is currently utilising the IN Cell Analyser 1000 for in-house screening of new molecules for drug development. The IN Cell Analyser is ideally suited for screening of chemical compounds that modulate complex cellular responses.

MDSystems has also discovered a new anti-microtubule compound. This compound has undergone extensive in-vitro testing and has been shown to have substantial tumour inhibitory activity in preliminary animal testing. This compound is currently being optimised through successive rounds of medicinal chemistry.

MDSystems will continue to focus on this novel anti-microtubule drug, in addition to developing its drug discovery resources and drug candidate pipeline.

HLS5 Project:

MDSystems is working with the Western Australian Institute for Medical Research ('WAIMR') 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 developed an extensive patent portfolio and has exclusive rights to the tumour suppressor gene HLS5, both as a potential therapeutic target and also underpinning its involvement in a variety of disease pathways.

Directors' Report

BPH Energy Limited and its controlled entities

The research on HLS5 was further validated by an independent research study, entitled 'Genome-Wide Copy Number Analyses Identified Novel Cancer Genes in Hepatocellular Carcinoma' which was published in the prestigious international journal Hepatology.

Cortical Dynamics Limited ('Cortical Dynamics'):

Cortical Dynamics is working with BPH Energy and 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 has 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, Liley et al, 2010, Propfol and Remifentanil Differentially Modulate Frontal Electroencephalographic Activity, 113:292-304. With the paper indicating the potential for the BAR methodology to separately monitor hypnotic and analgesic state. At present there is no known EEG monitor based depth of anaesthesia monitoring approach that is able to achieve this.

Diagnostic Array Systems ("DAS")

DAS is working with BPH Energy and RMIT University 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 \$2,104,769 to \$48,789,149 at 30 June 2012. This has largely resulted from cash balances decreasing by \$1,123,906 as BPH Energy continued to provide financial support to its investee companies MDSsystems and Cortical Dynamics Ltd.

Significant Changes in State Of Affairs

The major activities throughout the period were:

- The Company entered into a selective buyback agreement with MEC Resources Limited ("MEC"). BPH Energy agreed to buy back up to \$1.35 million of MEC's shareholding in the Company. The number of buy-back Shares was determined by dividing the total Consideration by the 5-day volume weighted average closing price of Shares prior to the date of the buy-back;
- Independent researchers in China found that reduced HLS5 levels were shown to correlate with worse tumour grade, increased tumour size and elevated serum AFP levels, a marker of liver cancer. The paper indicated that the loss of HLS5 expression is a critical event in liver cancer supporting the research performed by BPH's investee MDSsystems Limited ("MDS") and WAIMR. The paper entitled 'Genome-Wide Copy Number Analyses Identified Novel Cancer Genes in Hepatocellular Carcinoma' which was published in the prestigious international journal Hepatology;

Directors' Report

BPH Energy Limited and its controlled entities

- Advent repaid an amount of \$1.8M in full and final settlement of its obligations under the secured loan agreement entered into with BPH Energy on 15 June 2010;
- Investee company Cortical Dynamics obtained ethics approval from the Human Research Ethics Committee of St Vincent's Hospital (St Vincent's), Melbourne. The study commenced in January 2012 and will employ the BAR monitor to detect varying levels of anaesthetic agents in an operating room environment where the presence of multiple artifacts are known to complicate the EEG assessment of anaesthetic action ;
- Cortical Dynamics was awarded the accolade of being named as one of the finalists in the health category of The Australian Innovation Challenge, a national innovation competition;
- Investee Advent achieved an independently assessed (RISC) mean Contingent Resource for the Weaber Gas Field (RL1) of 18.4 Bcf following reprocessing of seismic data and review of all available well data from Weaber. The field has been assessed as comprising a 3C upside potential Contingent Resource of 45.8 Bcf; and
- Investee Advent re-entered Vienta-1 located within EP 386 for the purpose of recompletion and production testing. Production testing on the lower zone of Vienta-1 was performed and the well observed strong pressure recovery. Advent also re-entered Waggon Creek-1 located within EP386, and 10km from Vienta-1, for the purpose of recompletion and production testing. The well was flowed for 6 hours before operations were suspended for the northern wet season.
- Investee Advent is investigating a considerable potential shale gas resource within EP386 and RL1. Studies indicate significant potential upside in prospective shale gas resources with estimated unrisks OGIP in the range from 19 Tcf to 141 Tcf

After Balance Date Events

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.

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 investments in energy resource project 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 58

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.

Directors' Report

BPH Energy Limited and its controlled entities

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 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

Non-Executive Director – Age 64

Shares held – 480,769

Unlisted Options held – nil

Greg is a specialist in strategy and planning and works in the health and aged care sector. He has a Master of Science from Cranfield University in the UK and, in addition, has a Master of 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 position 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 57

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.

Directors' Report

BPH Energy Limited and its controlled entities

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 38

Shares held – nil

Unlisted Options held – 1,000,000

Deborah is a chartered accountant with over 11 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 the WA Business News.

Deborah is also a Director of ASX listed MEC Resources Ltd and Grandbridge Limited and unlisted entities Advent Energy Ltd and Cortical Dynamics 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

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.

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 2011 financial accounts was adopted at the Company's 2011 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.

Directors' Report

BPH Energy Limited and its controlled entities

- 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%, 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 the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. 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, 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.

Directors' Report

BPH Energy Limited and its controlled entities

Details of Remuneration for the year ended 30 June 2012

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

2012

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	-	-	-	-

2012(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	-	-

2011

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	-	-	-	-

2011 (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	-	-

Directors' Report

BPH Energy Limited and its controlled entities

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 decrease in the revenue from the previous year accompanied by an increase in the loss in the current year which can be attributed to BPH Energy no longer receiving the research and development rebate and unrealised losses on derivatives.

	2008	2009	2010	2011	2012
Revenue and other income	1,103,422	162,940	339,253	604,748	300,978
Operating loss attributable to members of the company	(1,614,219)	(2,215,717)	(208,785)	(220,903)	(739,165)
Share price at Year end	\$0.046	\$0.02	\$0.068	\$0.03	\$0.017
Earnings per shares (cents)	(1.68)	(2.63)	(0.80)	(0.13)	(0.41)

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
1 June 2008	30 June 2013	\$0.0232	\$0.294	1/3 on each anniversary 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.

There were no options granted exercised or lapsed during the year.

End of remuneration report.

Additional Information

Meetings of Directors

During the financial year, one meeting of directors were 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

Directors' Report

BPH Energy Limited and its controlled entities

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 \$26,703.

- D Breeze
- D Ambrosini
- G Gilbert
- 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 2012 (2011: 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
29 April 2008	29 April 2013	*	250,000
1 June 2008	30 June 2013	\$0.294	1,125,000
16 December 2008	16 December 2013	\$0.294	500,000
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	625,000

- The exercise price will be the average amount determined by the market price for the 5 days prior to exercise

On the 8 December 2011 10,185,931 listed options expired in accordance with their terms and conditions. During the year ended 30 June 2012, 4,425 (2011: Nil) ordinary shares of BPH Energy Limited were issued on the exercise of options granted under the BPH Energy Limited Listed Options raising \$885 (2011: Nil). No amounts are unpaid on any of the shares.

Directors' Report

BPH Energy Limited and its controlled entities

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 2012 has been received and can be found on page 12.

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

A handwritten signature in black ink, appearing to read 'D. Breeze'.

David Breeze

Dated this 30th August 2012

The Board of Directors
BPH Energy Limited
14 View Street
NORTH PERTH WA 6006

30 August 2012

Dear Board Members

BPH Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of BPH Energy Limited.

As lead audit partner for the audit of the financial statements of BPH Energy Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

Corporate Governance

BPH Energy Limited and its controlled entities

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 comprise a majority or at least 50% of the Board will be independent non-executive directors;
- 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 suitable qualified and experienced Directors and senior executives.

AUDIT COMMITTEE

The Company does not have a formal Audit Committee. The full Board carried 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 at the moment there 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.

Corporate Governance

BPH Energy Limited and its controlled entities

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;
- 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
<p>Principle 1: Lay solid foundations for management and oversight</p> <p>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.</p> <p>The responsibilities of the board include:</p> <ul style="list-style-type: none">• providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy;• reviewing and approving business plans, and financial plans including major capital expenditure

Corporate Governance

BPH Energy Limited and its controlled entities

Action taken and reasons if not adopted

initiatives;

- overseeing and monitoring:
 - organisational performance and the achievement of the Group's strategic goals and objectives and
 - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- 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 (Deborah Ambrosini) and the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organization;
- 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

Corporate Governance

BPH Energy Limited and its controlled entities

Action taken and reasons if not adopted

the service provided;

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

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 are two non-executive directors and two executive directors, three 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. However, these are not of a value or significance that adversely affect the directors' independence.

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 2012, 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 2012.

Corporate Governance

BPH Energy Limited and its controlled entities

Action taken and reasons if not adopted

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 purchase and sale of company securities by directors and employees is monitored by the Board.

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 ensure this is achieved by :

- ensuring recruitment and selection practices enable the availability of a diverse candidate pool for appointments at senior levels; and
- ensuring remuneration practices are free from gender bias.

At conclusion of the reporting year one of BPH Energy's 4 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. Deloitte was appointed as the external auditor in 2010. 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

Corporate Governance

BPH Energy Limited and its controlled entities

Action taken and reasons if not adopted

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 shareholder 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.

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 (full or concise) 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

Corporate Governance

BPH Energy Limited and its controlled entities

Action taken and reasons if not adopted

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;
- 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.

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.

Corporate Governance

BPH Energy Limited and its controlled entities

Action taken and reasons if not adopted
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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 Comprehensive Income

for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Note	Consolidated	
		2012 \$	2011 \$
Revenue from ordinary activities	2	186,878	352,123
Other income	2	114,100	252,625
Other gains and losses	2	(131,732)	-
Share of associates profit/(loss)		(298,038)	(1,167,268)
Administration expenses		(178,537)	(558,198)
Advertising and Promotion expenses		(1,824)	(26,167)
Consulting and Legal expenses		(185,325)	(409,801)
Research and Development expenses		(32,937)	(45,293)
Depreciation and amortisation expense	3	(789)	(1,673)
Employee expense		(335,128)	(315,135)
Insurance expenses		(30,209)	(26,377)
Service Fees		(131,040)	(131,040)
Travelling expenses		-	(4,903)
Other expenses		(17,790)	(12,376)
Operating Loss Before Income Tax		(1,042,371)	(2,093,483)
Income tax (expense) /benefit	14	277,893	1,825,599
Operating Loss for the Period		(764,478)	(267,884)
Other Comprehensive Income			
Net Gains on available-for-sale financial assets		-	21,450,000
Income tax relating to components of other comprehensive income		-	(6,435,000)
Total Other Comprehensive income		-	15,015,000
Total Comprehensive Income for the period		(764,478)	14,747,116
Operating loss attributable to non-controlling interests		(25,313)	(46,981)
Operating Loss attributable to members of the parent entity		(739,165)	(220,903)
Total Comprehensive income attributable to owners of the Company		(739,165)	14,794,097
Total Comprehensive income attributable to non-controlling interests		(25,313)	(46,981)
<i>Earnings Per Share –</i>			
<i>Basic and diluted earnings per share (cents per share)</i>	6	(0.41)	(0.13)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2012

BPH Energy Limited and its controlled entities

		Consolidated	
	Note	2012 \$	2011 \$
Current Assets			
Cash and cash equivalents	7	1,798,924	2,922,830
Trade and other receivables	8	2,913	2,857
Financial Assets	10	1,707,203	2,720,363
Other current assets	9	18,189	8,778
Total Current Assets		3,527,229	5,654,828
Non-Current Assets			
Financial assets	10	338,373	48,949
Investments in associates	13	50,253,484	50,551,521
Intangible assets	11	72,454	72,454
Property, plant and equipment	12	1,271	2,060
Total Non-Current Assets		50,665,582	50,674,984
Total Assets		54,192,811	56,329,812
Current Liabilities			
Trade and other payables	15	572,580	382,479
Financial liabilities	16	479,502	434,853
Provisions	17	20,072	9,161
Total Current Liabilities		1,072,154	826,493
Non-Current Liabilities			
Deferred Tax liabilities	29	4,331,508	4,609,401
Total Non-Current Liabilities		4,331,508	4,609,401
Total Liabilities		5,403,662	5,435,894
Net Assets		48,789,149	50,893,918
Equity			
Issued capital	18	41,511,195	42,860,310
Reserve	19	15,431,590	15,422,766
Accumulated losses		(8,074,395)	(7,335,230)
Non-controlling interest		(79,241)	(53,928)
Total Equity		48,789,149	50,893,918

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

Consolidated								
	Note	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 2010		22,427,420	(7,114,327)	391,056	-	15,704,149	(6,947)	15,697,202
Loss attributable to members of consolidated entity		-	(220,903)	-	-	(220,903)	(46,981)	(267,884)
Other Comprehensive income (net of tax)		-	-	-	15,015,000	15,015,000	-	15,015,000
Total Comprehensive income for the year		-	(220,903)	-	15,015,000	14,794,097	(46,981)	14,747,116
Transactions with owners in their capacity as owners								
Entitlement issue		8,237,507	-	-	-	8,237,507	-	8,237,507
Shares issued during the financial year	18	1,568,333	-	-	-	1,568,333	-	1,568,333
Placement Shares – recompliance	18	11,514,920	-	-	-	11,514,920	-	11,514,920
Capital Raising Costs	18	(887,870)	-	-	-	(887,870)	-	(887,870)
Employee options expense	19	-	-	16,710	-	16,710	-	16,710
Balance at 30 June 2011		42,860,310	(7,335,230)	407,766	15,015,000	50,947,846	(53,928)	50,893,918
Balance at 1 July 2011		42,860,310	(7,335,230)	407,766	15,015,000	50,947,846	(53,928)	50,893,918
Loss attributable to members of consolidated entity		-	(739,165)	-	-	(739,165)	(25,313)	(764,478)
Other Comprehensive income (net of tax)		-	-	-	-	-	-	-
Total Comprehensive income for the year		-	(739,165)	-	-	(739,165)	(25,313)	(764,478)
Transactions with owners in their capacity as owners								
Shares cancelled in selective buyback	18	(1,350,000)	-	-	-	(1,350,000)	-	(1,350,000)

Statement of Changes in Equity

for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

Shares issued on exercise of options	18	885	-	-	-	885	-	885
Employee options expense	19	-	-	8,824	-	8,824	-	8,824
Balance at 30 June 2012		41,511,195	(8,074,395)	416,590	15,015,000	48,868,390	(79,241)	48,789,149

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Note	Consolidated	
		2012 \$	2011 \$
<i>Cash Flows From Operating Activities</i>			
Receipts from customers		-	-
Grant income		-	217,359
Payments to suppliers and employees		(620,224)	(1,707,258)
Interest received		122,485	167,248
Net cash used in operating activities	21	(497,739)	(1,322,651)
<i>Cash Flows From Investing Activities</i>			
Amounts (to)/from other entities		722,948	(4,575,108)
Payment for investments		-	(12,000,000)
Payment for property, plant and equipment		-	(1,541)
Net cash provided by/used in investing activities		722,948	(16,576,649)
<i>Cash Flows From Financing Activities</i>			
Proceeds from capital raising (net of capital raising costs)		885	18,966,310
Payment for share buyback		(1,350,000)	-
Net cash provided by/used financing activities		(1,349,115)	18,966,310
<i>Net increase (decrease) in Cash Held</i>		(1,123,906)	1,067,010
<i>Cash At the Beginning Of The Financial Year</i>		2,922,830	1,855,820
<i>Cash At The End Of The Financial Year</i>	7	1,798,924	2,922,830

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

1. Statement of Significant Accounting Policies

Corporate Information

The financial report includes the consolidated financial statements and the notes of BPH Energy Limited and 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 30th August 2012 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, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

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. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. 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 the BPH Energy Limited group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Going Concern

The consolidated entity has incurred losses for the year ended 30 June 2012 of \$764,478 (2011: losses of \$267,884) and has a net cash outflow from operating activities of \$497,739 (2011: \$1,322,651).

The directors have reviewed their expenditure and their commitments for the consolidated entity. The directors as a part of their cash monitoring, may voluntarily suspended cash payments for their director's fees to conserve cash.

The directors have prepared cash flow forecasts that indicate that the consolidated entity will have sufficient cash flows 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.

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity BPH Energy Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

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 comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

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

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.

(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.

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

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.

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.

(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.

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.

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Computers	33 %
Office furniture	15 %

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) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the period of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as an expense on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) 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.

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

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.

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 short term profit taking, where they are derivatives not held for 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) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale 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.

(v) Financial Liabilities

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

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

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 option pricing models.

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 profit or loss.

(f) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

(g) 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.

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.

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

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.

(h) 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 20 years.

(i) 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.

(j) 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.

(k) 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.

(l) 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 time 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).

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

(m) 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.

(n) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(o) 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.

(p) 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 a Black and Scholes 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 non-tradeable nature of the option, 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.

(q) 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.

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

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.

(r) 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 \$1,707,203 (2011: \$2,720,363) and non-current loan receivable of \$289,424 (2011: Nil) . 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 2012.

Key Judgments — Impairment of Intangible Assets

No impairment has been recognised in respect of intangible assets for the year ended 30 June 2012 (2011: \$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 — Fair Value of Financial Assets

The fair value of listed shares has been determined by reference to published price quotations in an active market. The fair values of unlisted securities not traded in an active market are measured at fair value, using recent arms length transactions.

	Consolidated	
	2012	2011
	\$	\$
2. Revenue		
<i>Revenue</i>		
Interest revenue cash accounts	100,397	167,248
Interest revenue : other entities	86,481	184,875
Total revenue	186,878	352,123
<i>Other income</i>		
Research & development rebate	-	138,525
Consultancy fees	114,100	114,100
	114,100	252,625

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Consolidated	
	2012 \$	2011 \$
2. Revenue		
<i>Other gains and losses</i>		
Net gain/loss arising on recognition of derivative	(131,732)	-
	<hr/>	<hr/>
	(131,732)	-
3. Expenses Included in Loss for the year		
<i>a) Expenses</i>		
Depreciation and amortisation		
- Depreciation	789	1,673
- Amortisation	-	-
- Salary	177,339	165,927
- Superannuation	13,062	12,034
- Director fees	124,992	124,985
- Share based payments	8,824	16,710
- Other payroll costs	10,911	(4,521)
Total employee costs	<hr/>	<hr/>
	335,128	315,135

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

D Ambrosini - Executive Director and Company Secretary

	Consolidated	
	2012 \$	2011 \$
Short term employee benefits	223,000	223,000
Share based payments	-	-
	<hr/>	<hr/>
	223,000	223,000

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

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

Options and Rights Holdings

2012 Number of Options Held by Key Management Personnel

	Balance 1.7.2011	Granted as Compensation	Options Exercised	Net Change Other *	Balance 30.6.2012	Total Vested 30.6.2012	Total Exercisable and Vested 30.6.2012	Total Unexercisable 30.6.2012
D L Breeze	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
G Gilbert	-	-	-	-	-	-	-	-
H Goh	-	-	-	-	-	-	-	-
D Ambrosini	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-

2011 Number of Options Held by Key Management Personnel

	Balance 1.7.2010	Granted as Compensation	Options Exercised	Net Change Other *	Balance 30.6.2011	Total Vested 30.6.2011	Total Exercisable and Vested 30.6.2011	Total Unexercisable 30.6.2011
D L Breeze	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000	1,000,000	-
G Gilbert	2,000,000	-	-	(2,000,000)	-	-	-	-
H Goh	2,000,000	-	-	(2,000,000)	-	-	-	-
D Ambrosini	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000	1,000,000	-

*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

2012 Number of Shares Held by Key Management Personnel

	Balance 1.7.2011	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2012
D L Breeze	6,509,811	-	-	-	6,509,811
G Gilbert	480,769	-	-	-	480,769
H Goh	480,769	-	-	-	480,769
D Ambrosini	-	-	-	-	-

2011 Number of Shares Held by Key Management Personnel

	Balance 1.7.2010	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2011
D L Breeze	13,019,621	-	-	(6,509,810)	6,509,811
G Gilbert	961,538	-	-	(480,769)	480,769
H Goh	961,538	-	-	(480,769)	480,769
D Ambrosini	-	-	-	-	-

Net Change other relates to share movements directly attributable to the consolidation of BPH capital on a 1:2 basis.

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Consolidated	
	2012 \$	2011 \$
5. Auditors' Remuneration		
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report		
Deloitte Touche Tohmatsu	34,914	34,157
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries	-	-
	<u>34,914</u>	<u>34,157</u>

6. Earnings per share

	Consolidated	
	2012 \$	2011 \$
For basic and diluted Earnings Per Share		
Total earnings per share attributable to ordinary equity holders of the company	(739,165)	(220,903)
Earnings used in the calculation of basic earnings per share and diluted earnings per share	<u>(739,165)</u>	<u>(220,903)</u>
For basic and diluted Earnings Per Share		
From continuing operations	(0.41)	(0.13)
Total Basic Earnings per Share and Diluted Earnings per Share	<u>(0.41)</u>	<u>(0.13)</u>
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS	No. 181,628,852	No. 170,877,168

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.

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Consolidated	
	2012 \$	2011 \$
7. Cash and cash equivalents		
Cash at Bank and in hand	1,791,506	2,915,723
Short-term bank deposits	7,418	7,107
	<u>1,798,924</u>	<u>2,922,830</u>

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	<u>1,798,924</u>	<u>2,922,830</u>
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8. Trade and other receivables

CURRENT

Other receivables	2,913	2,857
	<u>2,913</u>	<u>2,857</u>

Consolidated

9. Other Assets

CURRENT

Prepaid insurance	18,189	8,778
	<u>18,189</u>	<u>8,778</u>

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Consolidated	
	2012 \$	2011 \$
10. Financial Assets		
Loans and receivables at amortised cost		
Current		
Unsecured Loans to other entities: (a)		
Grandbridge Limited	55,645	55,645
Cortical Dynamics Limited	485,070	100,070
Molecular Discovery Systems Limited	345,200	231,100
MEC Resources Ltd	2,494	2,494
Advent Energy Ltd	39,486	41,666
Secured Loans to other entities: (b)		
Advent Energy Ltd	-	1,778,801
Cortical Dynamics Limited	478,617	353,238
Molecular Discovery Systems Limited	300,691	157,349
	1,707,203	2,720,363
Non - Current		
Loans and receivables at amortised cost		
Secured loan to Cortical Dynamics (b)	289,424	-
Available for sale financial assets at fair value		
Investments in unlisted entities (c)	48,949	48,949
	338,373	48,949

(a) Unsecured loans

These loans are unsecured, non-interest bearing and repayable on demand.

(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.

During the period Advent repaid an amount of \$1.8M in full and final settlement of its obligations under the secured loan agreement entered into with BPH Energy on 15 June 2010.

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 been drawn down by an amount of \$300,691 (2011: \$157,349).

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

The company has entered into a convertible loan agreement with Cortical Dynamics. The loan is for a maximum amount of \$500,000 and is to be used for short term working capital requirements. Subject 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 been drawn down by an amount of \$478,617 (2011: \$353,238).

On 28th February 2012 BPH Energy entered into a convertible loan agreement with Cortical Dynamics. The facility is for a maximum amount of \$1M and has an annual interest rate of 9.40%. The will be used for short term working capital requirements and funding further development of the BAR monitor. The facility will terminate on the earlier of 24 months from the execution date and any date on which the facility is terminated in accordance with the agreement. 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 been drawn down by an amount of \$289,424 (2011: nil).

	Consolidated	
	2012	2011
	\$	\$
(c) Available for sale financial assets at fair value		
Cortical Dynamics Limited	48,949	48,949
	<u>48,949</u>	<u>48,949</u>

11. Intangible assets

Patent costs capitalised		
Cost	72,454	72,454
Accumulated amortisation and impairment	-	-
Net carrying value	<u>72,454</u>	<u>72,454</u>
Total intangibles	<u>72,454</u>	<u>72,454</u>

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	(40,215)	(39,426)
Total Property, Plant and Equipment	<u>1,271</u>	<u>2,060</u>

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

(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.

	2012	2011
	\$	\$
Balance at the beginning of the year	2,060	2,190
Additions	-	1,543
Disposals	-	-
Depreciation expense	(789)	(1,673)
Carrying amount at the end of the year	1,271	2,060

13. Investments accounted for using the equity method

	2012	2011
	\$	\$
Shares in Associates		
Advent Energy Limited	48,819,692	49,052,002
Molecular Discovery Systems Limited	1,433,792	1,499,519
	50,253,484	50,551,521

(a) Shares in associates

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 %		Principal Activity
		2012	2011	
Molecular Discovery Systems Limited	Australia	20%	20%	Biomedical Research
Advent Energy Limited (i)	Australia	27.4%	27.4%	Oil and Gas Exploration

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

(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					Groups Share of:	
	Ownership interest %	Assets	Liabilities	Profits/Losses	Revenues	Net Assets	Net Loss for the Period
2012							
Molecular Discovery Systems Limited	20	768,728	937,948	(328,635)	120,042	(33,844)	(65,727)
		<u>768,728</u>	<u>937,948</u>	<u>(328,635)</u>	<u>120,042</u>	<u>(33,844)</u>	<u>(65,727)</u>
Advent Energy Ltd	27.4	35,131,919	6,756,044	(847,848)	521,565	7,774,990	(232,310)
		<u>35,131,919</u>	<u>6,756,044</u>	<u>(847,848)</u>	<u>521,565</u>	<u>7,774,990</u>	<u>(232,310)</u>
2011							
Molecular Discovery Systems Ltd	20	757,495	604,405	(346,356)	89,683	30,618	(69,270)
		<u>757,495</u>	<u>604,405</u>	<u>(346,356)</u>	<u>89,683</u>	<u>30,618</u>	<u>(69,270)</u>
Advent Energy Ltd	27.4	38,939,408	9,709,478	(7,095,097)	403,809	8,017,770	(1,097,998)
		<u>38,939,408</u>	<u>9,709,478</u>	<u>(7,095,097)</u>	<u>403,809</u>	<u>8,017,770</u>	<u>(1,097,998)</u>

Consolidated

2012
\$

2011
\$

14. Income Tax Expense

(a) The components of tax expense/(benefit) comprise:

Current tax

-

Deferred tax

(277,893) (1,825,599)

(277,893) (1,825,599)

(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% (2011: 30%)

(312,711) (628,044)

Add tax effect of:

Non deductible expenses

7,924 25,319

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Consolidated	
	2012 \$	2011 \$
Tax benefit of revenue losses not recognised	-	-
Effect of previously unrecognised and unused tax losses now recognised as deferred tax assets	-	(1,222,874)
Temporary differences	26,894	-
Income tax expense/(benefit) recognised	(277,893)	(1,825,599)
Weighted average rate of tax	(21%)	(87%)
(c) Income tax expense recognised in other comprehensive income		
Fair value gain adjustments	-	6,435,000
	-	6,435,000
(d) Current tax liabilities		
Income tax	-	-
	-	-
15. Trade and other payables		
Trade payables	29,212	14,898
Sundry payables and accrued expenses	543,368	367,581
	572,580	382,479
16. Financial Liabilities		
Current		
Current borrowings – unsecured	479,502	434,853
	479,502	434,853
Current borrowings are unsecured, non interest bearing and repayable on demand.		
17. Provisions		
Short term employee entitlements:		
Opening balance at 1 July 2011	9,161	12,438
Reduction/addition to provision	10,911	(3,277)
Balance at 30 June 2012	20,072	9,161

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

Provision for Employee Entitlements

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.

18. Issued Capital

172,562,245 (2011: 216,106,207) fully paid ordinary shares

Consolidated	
2012	2011
\$	\$
41,511,195	42,860,310

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

	Consolidated		Consolidated	
	2012 \$	2011 \$	2012 No.	2011 No.
(a) Ordinary Shares				
At the beginning of reporting period	42,860,310	22,427,420	216,106,207	206,954,246
Shares issued – entitlement issue/shareholder share placement	-	8,237,502	-	103,314,033
Conversion of quoted options	885	-	4,425	-
Shares issued – purchase of 3M shares in Advent Energy	-	1,500,000	-	18,750,000
Consolidation of capital 1:2 basis	-	-	-	(164,717,502)
Shares issued through recompliance prospectus	-	11,514,920	-	50,951,205
Payment for consultancy services	-	68,338	-	854,225
Shares cancelled – Selective buyback	(1,350,000)	-	(43,548,387)	-
Capital Raising costs	-	(887,870)	-	-
At reporting date	41,511,195	42,860,310	172,562,245	216,106,207

Capital Raising

There were 4,425 options exercised during the year (2011: nil).

Fully Paid Ordinary Share Capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Options

There were 4,075,000 employee options on issue at the end of the year:

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

Total number	Exercise price	Expiry date
250,000	*	29 April 2013
1,125,000	\$0.294	30 June 2013
500,000	\$0.294	16 December 2013
75,000	\$0.594	30 September 2014
1,500,000	\$0.894	31 December 2014
625,000	\$0.160	21 January 2016
4,075,000		

* The exercise price will be the average amount determined by the market price for the 5 days prior to exercise

The market price of the company's ordinary shares at 30 June 2012 was 1.7 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 2012 and 30 June 2011 are as follows:

	Consolidated	
	2012 \$	2011 \$
Cash and cash equivalents	1,798,924	2,922,830
Trade and other receivables	2,913	2,857
Trade and other payables	(572,580)	(382,479)
Working capital position	1,229,257	2,543,208

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Consolidated	
	2012 \$	2011 \$
19. Reserves		
Options Reserve (a)	416,590	407,766
Asset Revaluation Reserve (b)	15,015,000	15,015,000
	<u>15,431,590</u>	<u>15,422,766</u>

a. Option Reserve

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

	Consolidated	
	2012 \$	2011 \$
Reconciliation of movement		
Opening balance	407,766	391,056
Option charges during the year	8,824	16,710
Closing balance	<u>416,590</u>	<u>407,766</u>

b. Asset Revaluation Reserve

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

	Consolidated	
	2012 \$	2011 \$
Reconciliation of movement		
Opening balance	15,015,000	-
Available for sale asset revalued to fair value (net of tax)	-	15,015,000
Closing balance	<u>15,015,000</u>	<u>15,015,000</u>

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

20. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
			2012	2011
Parent Entity				
BPH Energy Limited	Investment	Australia		
Subsidiaries of BPH Energy Limited				
Diagnostic Array Systems Pty Limited	BioMedical Research	Australia	51.82	51.82
			Consolidated	
			2012	2011
			\$	\$

21. Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit after income tax

Operating loss after income tax	(764,478)	(267,884)
Non-cash flows in profit:		
Depreciation and amortisation	789	1,673
Interest Revenue	(64,393)	184,875
Share based payment expense	8,824	16,710
Intercompany recharges	109,809	(129,624)
Share of Associates Loss	298,037	1,167,268
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(56)	78,834
Increase)/decrease in other assets	(9,412)	7,167
Increase/(decrease) in provisions	10,911	(4,521)
Increase/(decrease) in trade payables and accruals	190,123	(181,800)
Increase/(decrease) in deferred tax liabilities	(277,893)	(1,825,599)
Cash outflow from operations	(497,739)	(1,322,651)

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Consolidated	
	2012 \$	2011 \$
Nil (2011: 854,224) shares were issued for consultancy services	-	68,338

(c) 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, short-term 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 debt.

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.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Equity price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

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, is as follows:

Consolidated Group

2012	Weight 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	3.38	1,798,924	-	-	-	1,798,924
Trade and other receivables		-	-	-	2,913	2,913
Other financial assets	8.41	-	779,308	289,424	927,895	1,996,627
Total Financial Assets		1,798,924	779,308	289,424	930,808	3,798,464
Financial Liabilities						
Trade and sundry payables		-	-	-	572,580	572,580
Financial liabilities		-	-	-	479,502	479,502
Total Financial Liabilities		-	-	-	1,052,082	1,052,082

2011	Weight 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	4.50	2,922,830	-	-	-	2,922,830
Trade and other receivables		-	-	-	2,857	2,857
Other financial assets	7.93	-	2,331,054	-	389,309	2,720,363
Total Financial Assets		2,922,830	2,331,054	-	392,166	5,646,050
Financial Liabilities						
Trade and sundry payables		-	-	-	382,479	382,479
Financial liabilities		-	-	-	434,853	434,853
Total Financial Liabilities		-	-	-	817,332	817,332

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

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 a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Other assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

	2012		2011	
	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	1,999,540	1,999,540	2,723,220	2,723,220
	<u>2,048,489</u>	<u>2,048,489</u>	<u>2,772,169</u>	<u>2,772,169</u>
Financial Liabilities				
Other loans and amounts due	479,502	479,502	434,853	434,853
Trade payables	572,580	572,580	382,479	382,479
	<u>817,332</u>	<u>817,332</u>	<u>817,332</u>	<u>817,332</u>

Reconciliation of fair value measurements of financial assets in Level 3 Hierarchy:

	2012	2011
	Available for sale	Available for sale
Opening balance	48,949	12,848,949
Less: reclassifications	-	(12,800,000)
Closing balance	<u>48,949</u>	<u>48,949</u>

The reclassification during the prior year relates to the investment in Advent Energy Ltd. Advent Energy Ltd is now accounted for as an associate.

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

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

Interest Rate Sensitivity Analysis

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	
	2012	2011
Change in profit		
— Increase in interest rate 1%	31,978	25,942
— Decrease in interest rate by 0.5%	(15,989)	(12,971)

Liquidity Risk Management

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

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 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 is located in the Directors Report and in note 4.

(c) *Directors' Equity Holdings*

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Parent	
	2012 No.	2011 No.
<i>Ordinary Shares</i>		
Held as at the date of this report by directors and their director-related entities in:		
BPH Energy Limited	7,471,349	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	2,000,000	2,000,000
--------------------	-----------	-----------

(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 (2011: \$98,000) was paid during the year.

(e) Interest in Associates

A loan receivable exists between BPH Energy and MDSystems \$345,200 (2011:\$231,100). This amount is unsecured, non interest bearing and repayable on demand.

A loan payable exists between BPH Energy and MDSystems \$61,310 (2011:\$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 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 been drawn down by an amount of \$300,691 (2011: \$157,349). Interest charged on the loan totalled \$20,293 (2011: \$2,348).

During the year, BPH Energy provided consultancy services to MDSystems of \$114,100 (2011: \$114,100).

A convertible loan agreement existed between BPH Energy and Advent Energy Ltd ("Advent")\$nil (2011:\$ 1,778,801) On 19th August 2011 Advent repaid the loan in full. Interest charged on the loan totalled \$22,088 (2011: \$178,801).

Further, a loan payable exists between Advent to BPH of \$ 39,486 (2011:\$ 41,666). This amount is unsecured, non interest bearing and repayable on demand.

(f) Other

The Company entered into a selective buyback agreement with MEC Resources Limited ("MEC"). BPH Energy agreed to buy back up to \$1.35 million of MEC's shareholding in the Company. The number of buy-back Shares was determined by dividing the total Consideration by the 5-day volume weighted average closing price of Shares prior to the date of the buy-back;

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

26. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2012:

Total number	Grant Date	Exercise price	Fair value at grant date	Expiry date
250,000	29 April 2008	*	\$0.0225	29 April 2013
1,125,000	1 June 2008	\$0.294	\$0.0232	30 June 2013
500,000	16 December 2008	\$0.294	\$0.0119	16 December 2013
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
625,000	21 January 2011	\$0.160	\$0.0220	21 January 2016
4,075,000				

*The exercise price will be the average amount determined by the market price for the 5 days prior to exercise

At balance date, no share option has been exercised (2011: nil).

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			
	2012	Weighted Average Exercise Price	2011	Weighted Average Exercise Price
	Number of Options	\$	Number of Options	\$
Outstanding at the beginning of the year	4,325,000	0.25	13,700,000	0.22
Granted	-	-	655,000	0.16
Forfeited	-	-	(4,000,000)	-
Expired	(250,000)	-	(30,000)	0.16
Expired	-	-	(6,000,000)	0.294
Outstanding at year-end	4,075,000	0.25	4,325,000	0.25
Exercisable at year-end	3,633,333	0.25	3,483,333	0.25

No options were exercised during the year ended 30th June 2012 (2011:nil).

Included under employee benefits expense in the profit and loss is \$8,824 (2011: \$16,710), and relates, in full, to equity.

27. Commitments and Contingencies

At reporting date there are no contingent liabilities.

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

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

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 been drawn down by an amount of \$300,691 (2011: \$157,349).

The company has entered into a convertible loan agreement with Cortical Dynamics. The loan is for a maximum amount of \$500,000 and is to be used for short term working capital requirements. Subject 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 been drawn down by an amount of \$478,617 (2011: \$353,238).

During the year BPH Energy entered into a convertible loan agreement with Cortical Dynamics. The loan is for a maximum amount of \$1,000,000 and is to be used for short term working capital requirements and 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 been drawn down by an amount of \$289,424 (2011: nil).

	Parent	
	2012	2011
	\$	\$
<hr/>		
28. Parent Entity Disclosures		
Financial Position		
Assets		
Current assets	4,450,402	6,482,587
Non-current assets	50,593,128	51,456,012
Total asset	<u>55,043,530</u>	<u>57,938,599</u>
Liabilities		
Current liabilities	872,278	585,178
Non-current liabilities	4,369,581	4,609,401
Total liabilities	<u>5,241,859</u>	<u>5,194,579</u>
Equity		
Issued Capital	41,511,195	42,860,310

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Parent	
	2012	2011
	\$	\$
Retained earnings	(7,141,114)	(5,539,056)
<u>Reserves</u>		
Option Reserve	416,590	407,766
Asset Revaluation Reserve	15,015,000	15,015,000
Total equity	49,801,671	52,744,020

Financial Performance

Profit/Loss for the year	(1,602,058)	(159,700)
Other comprehensive income	-	15,015,000
Total comprehensive income	(1,602,058)	14,855,300

Consolidated

2012	2011
\$	\$

29. Tax

(a) Liabilities

CURRENT

Income tax

- -

NON CURRENT

Deferred tax liabilities comprises:

Fair value gain adjustments

6,466,039 6,555,456

6,466,039 6,555,456

(b) Assets

Deferred tax assets comprise:

Prepayments

5,456 2,633

Provisions

6,022 2,748

Accrued expenses

159,688 65,507

Tax losses

1,963,365 1,875,167

2,134,531 1,946,055

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

	Consolidated	
	2012	2011
	\$	\$
(c) Deferred tax balances are presented in the statement of financial position as follows:		
Deferred tax assets	2,134,531	1,946,055
Deferred tax liabilities	(6,466,039)	(6,555,456)
Closing balance	(4,331,508)	(4,609,401)

30. Application of New and Revised Accounting Standards

30.1 Standards and Interpretations adopted in the current year

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2011.

The following new and revised Standards and Interpretations have been adopted in the current period:

- AASB 124 'Related Party Disclosures' (revised December 2009) and AASB 2009-12 'Amendments to Australian Accounting Standards'
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'
- AASB 2010-5 'Amendments to Australian Accounting Standards'
- AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'

The impact of the adoption of these Standards and Interpretation did not have a material impact on the Company.

30.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2012:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' (December 2009), AASB 2009- 11 'Amendments to Australian Accounting Standards arising from AASB 9' AASB 9 'Financial Instruments' (December	1 January 2013	30 June 2014

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
2010) and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'		
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	1 January 2014	30 June 2015
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	1 January 2013	30 June 2014

Notes to the Financial Statements for the year ended 30 June 2012

BPH Energy Limited and its controlled entities

At the date of authorisation of the financial statements the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and interpretations have not yet been issued and have not been adopted by the Company for the year ended 30 June 2012.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013	30 June 2014

The impact of these recently issued or amended standards and interpretations have not been determined as yet by the Company.

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 21 to 58 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 2012 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 30th day of August 2012

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 statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 as set out on pages 21 to 59.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

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, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. 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.

Auditor's Independence Declaration

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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff

Partner

Chartered Accountants

Perth, 30 August 2012

Additional Securities Exchange Information

BPH Energy Limited and its controlled entities

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

The information is made up to 13th August 2012

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	445	187,506	0.11
1,001 – 5,000	557	1,860,033	1.08
5,001 – 10,000	450	3,498,695	2.03
10,001 – 100,000	1,204	43,744,502	25.35
100,001 and over	291	123,271,509	71.44
	2,947	172,562,245	100.00

The number of shareholders with less than a marketable parcel is 2,157, holding in total 19,144,864 shares.

(b) Distribution of Unlisted Optionholders

Range of Holding	Optionholders	Number of Options	%
10,001 to 100,000	4	275,000	0.07
100,001 and over	6	3,800,000	99.93
	10	4,075,000	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

Additional Securities Exchange Information

BPH Energy Limited and its controlled entities

Number of Shares free of escrow

172,562,245

6. Twenty Largest Shareholders as at 13 August 2012

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
Trandcorp Pty Ltd	4,772,500	2.77
Lam Terry Luong	3,700,000	2.14
JP Morgan Nom Aust Ltd	3,649,371	2.11
Grandbridge Limited	3,389,100	1.96
Claymore Capital PL	2,459,049	1.43
Avatar Equities PL	2,192,223	1.27
Syracuse Cap PL	2,070,689	1.20
Asgard Capital Management	1,800,000	1.04
Mazourenko Andrei + E	1,764,303	1.02
Trandcorp Pty Ltd	1,591,926	0.92
Batras One PL	1,549,872	0.90
Tre PL	1,460,000	0.85
Jomot PL	1,455,254	0.84
Cottee Enid Ruth	1,389,000	0.80
Kizigo PL	1,387,401	0.80
Mccreed Simon Charles	1,300,000	0.75
Yewfong Co Pl	1,250,000	0.72
Hutchfield Robert A	1,122,500	0.65
Negus Dental Services PL	1,100,000	0.64
	53,769,283	31.14