



Appendix 4D -Half year report

Results for announcement to the market

Name of Entity	BPH Energy Limited
ABN	41 095 912 002
Half Year Ended	31 December 2013
Previous Corresponding Reporting Period	31 December 2012

\$A'000			
Revenues from ordinary activities	down	38%	to 65
(Loss) from ordinary activities after tax attributable to members	up	19%	to (335)
Net (loss) for the period attributable to members	up	19%	to (335)
Dividends (distributions)		Amount per security	Franked amount per security
Final dividend		Nil	Nil
Interim dividend			
Previous corresponding period		N/A	N/A

Please refer to attached accounts for commentary on the results

Other notes to the condensed financial statements

	Current period	Previous corresponding Period
Ratios		
Loss before tax / revenue Consolidated (loss) from ordinary activities before tax as a percentage of revenue	(738.34)%	(347.89)%
Loss 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	(0.83)%	(0.68)%

	Current period	Previous corresponding Period
NTA Backing		
Net tangible asset backing per ordinary security	29.93 cps	30.58 cps

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BPH Energy Ltd and its controlled entities

Commentary on Results

The loss of the consolidated entity after providing for income tax amounted to \$344,333 (2012: \$296,486).

The net assets of the consolidated entity decreased by \$335,873 to \$47,861,424 at 31 December 2013. This decrease has largely resulted from cash balances decreasing by \$105,000 after the continued provision of funding to Cortical Dynamics Limited and Molecular Discovery Systems Limited.

Significant developments during the period include :

Cortical Dynamics Ltd

- BPH investee Cortical Dynamics Ltd ("Cortical") had a key patent granted during the period. The patent entitled, 'EEG analysis system' was granted by the US Patent and Trademark which has previously been granted in Australia, China, Japan and New Zealand. The US patent provides an exclusivity period until July 2030. It is Cortical's third granted patent within the US. The US is the world's largest market for depth of anaesthesia monitoring, with an estimated 21 million people administered general anaesthesia for surgical procedures annually.
- Cortical had a second key patent granted during the period. The patent entitled, 'Neurodiagnostic monitoring and display system' was granted by the Australian patent office. The granted Australian Patent has an expiry date of November 2027.

Molecular Discover Systems Ltd

- BPH investee Molecular Discovery Systems Ltd ("MDS") has had two new Australian patent applications granted during the period increasing the total of Australian patents granted to four. The issued patents entitled 'Agent for the treatment of hormone-dependent disorders and uses thereof' and 'Transcription Factor modulator' are valid to March 2027 and April 2027 respectively. The two patents complement MDS' previously granted patents 'Tumour suppressor factor', which has been granted in the United States and Australia, and the Australian patent entitled 'Sumoylation control agent and uses thereof'.

Advent Energy Ltd

- Advent Energy Limited (Advent), through wholly owned subsidiary Onshore Energy Pty Ltd's application to the Western Australian Department of Mines & Petroleum, successfully obtained a suspension of the condition requiring the completion of the EP386 Year 2 work until 31 March 2015.
- The Australian Council of Learned Academies (ACOLA) released a report entitled Engineering energy: unconventional gas production, as a study of shale gas in Australia. The report independently verified the potential of BPH investee Advent Energy Limited's (Advent) onshore Bonaparte Basin acreage (EP386 and RL1) to possess significant recoverable shale gas volumes. Advent has previously advised of a 9.8 Tcf (Best estimate) prospective resource estimate for the shale gas potential present in its 100% owned EP386 and RL1. The Low Estimate and High Estimate of prospective resources are 1.9 and 25.4 Tcf respectively.
- The legal dispute between Fugro Survey Pty Ltd, RPS Energy Pty Ltd and Asset Energy Pty Ltd (wholly owned subsidiary of Advent Energy) was settled at a court appointed mediation. The dispute arose over performance and fees in connection with pre-drilling site survey works conducted by Fugro Survey Pty Ltd at PEP11, offshore Sydney Basin, in 2010. Asset Energy Pty Ltd settled Fugro Survey Pty Ltd's claim of \$2.2 million with a payment of \$100,000.

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- Advent, through its wholly owned subsidiary Onshore Energy Pty Ltd, successfully renewed Retention Licence 1 (RL1) in the onshore Bonaparte Basin, Northern Territory, for a further five year term.
- During the period Advent signed a non-binding Letter Of Intent (LOI) with CO2 Group subsidiary Western Australian Resources Limited (WARL) for the potential future supply of gas to WARL's proposed aquaculture project in northern Australia. The LOI provides an initial framework for discussion, information sharing and negotiation towards a possible gas supply agreement by the fourth quarter of 2014. This timeframe corresponds with WARL's intended feasibility studies and financial investment decision timetable.

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Company Information

Directors

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

Scientific Advisors

Professor Peter Klinken
Dr Robin Scaife
Professor David Liley

Registered Office

14 View Street
NORTH PERTH WA 6006

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E-mail: admin@bphenergy.com.au

Auditor

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

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Australian Business Number

41 095 912 002

Directors' Report

BPH Energy Ltd and its controlled entities

The directors of BPH Energy Ltd submit herewith the financial report for the half year ended 31 December 2013. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the period are:

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

Review of Operations

Operating loss for the consolidated entity after tax for the year was \$344,333 (2012 \$296,486).

- BPH investee Cortical Dynamics Ltd ("Cortical") had a key patent granted during the period. The patent entitled, 'EEG analysis system' was granted by the US Patent and Trademark which has previously been granted in Australia, China, Japan and New Zealand. The US patent provides an exclusivity period until July 2030. It is Cortical's third granted patent within the US. The US is the world's largest market for depth of anaesthesia monitoring, with an estimated 21 million people administered general anaesthesia for surgical procedures annually.
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- Advent through its wholly owned subsidiary Onshore Energy Pty Ltd successfully renewed Retention Licence 1 (RL1) in the onshore Bonaparte Basin, Northern Territory, for a further five year term.

Directors' Report

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- Advent, through wholly owned subsidiary Onshore Energy Pty Ltd's application to the Western Australian Department of Mines & Petroleum, successfully obtained a suspension of the condition requiring the completion of the EP386 Year 2 work until 31 March 2015.
- During the period, Advent signed a non-binding Letter Of Intent (LOI) with CO2 Group subsidiary Western Australian Resources Limited (WARL) for the potential future supply of gas to WARL's proposed aquaculture project in northern Australia. The LOI provides an initial framework for discussion, information sharing and negotiation towards a possible gas supply agreement by the fourth quarter of 2014. This timeframe corresponds with WARL's intended feasibility studies and financial investment decision timetable.

Significant changes in state of affairs

During the period there were no other significant changes in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

Other than referred to in note 10 of these financial accounts there have not been any matters or circumstance that have arisen since the end of the period, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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.

Auditor's Independence

The directors received a declaration of independence from the auditor. This is included in the financial report on page 3.

Signed in accordance with a resolution of the directors made pursuant to s.306(c) of the *Corporations Act 2001*.

On behalf of the Directors



D L Breeze
Executive Chairman
PERTH, 7 February 2014

Auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of BPH Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2013, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani B.Eng, CA
Director

Perth 7 February 2014

Directors' Declaration

BPH Energy Ltd and its controlled entities

The directors declare that:

- (a) 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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

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

D L Breeze
Executive Chairman
PERTH, 7 February 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2013

BPH Energy Ltd and its controlled entities

		CONSOLIDATED	
	Note	31 December 2013 \$	31 December 2012 \$
Interest revenue	4	65,875	106,684
Administration expenses		(52,049)	(65,547)
Consulting and legal expenses		(73,730)	(85,549)
Depreciation and amortisation expense		(237)	(409)
Employee benefits expense		(50,185)	(43,622)
Insurance expenses		(15,198)	(14,970)
Other expenses		(65,275)	(67,703)
Debt write off		-	98,738
Share of Associates Loss		(152,813)	(143,318)
Research and Development expenses		(73,976)	(86,650)
Service expenses		(68,793)	(68,793)
Operating Loss before income tax		(486,381)	(371,139)
Income tax benefit		142,048	74,653
Operating Loss for the period		(344,333)	(296,486)
Other comprehensive income			
Total Comprehensive income for the period		(344,333)	(296,486)
Loss attributable to non-controlling interest		(8,688)	(14,553)
Loss attributable to members of the parent entity		(335,645)	(281,933)
Earnings per share-			
Basic and Diluted (cents per share)		(0.28)	(0.17)

The accompanying notes form part of these financial statements.

**Condensed Consolidated Statement of Financial Position
as at 31 December 2013**

BPH Energy Ltd and its controlled entities

		CONSOLIDATED	
		31 December 2013 \$	30 June 2013 \$
	Note		
Current Assets			
Cash and cash equivalents	5	515,812	900,599
Trade and other receivables		4,664	1,977
Financial Assets	9	97,625	1,637,691
Other Current Assets		19,713	29,660
Total Current Assets		637,814	2,569,927
Non-Current Assets			
Financial assets	9	2,698,815	995,119
Investment in associates	8	49,537,723	49,690,539
Intangible assets		72,454	72,454
Property, plant and equipment		234	471
Total Non-Current Assets		52,309,226	50,758,583
Total Assets		52,947,040	53,328,510
Current Liabilities			
Trade and other payables		774,156	702,147
Financial liabilities		390,456	-
Provisions		21,726	26,432
Total Current Liabilities		1,186,338	728,579
Non-Current Liabilities			
Deferred Tax liabilities		3,757,600	3,899,656
Financial liabilities		141,678	502,978
Total Non-Current Liabilities		3,899,278	4,402,634
Total Liabilities		5,085,616	5,131,213
Net Assets		47,861,424	48,197,297
Equity			
Issued capital	6	41,511,195	41,511,195
Reserve		15,443,106	15,434,646
Accumulated losses		(8,978,494)	(8,642,849)
Non-controlling interests		(114,383)	(105,695)
Total Equity		47,861,424	48,197,297

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity for the half year ended 31 December 2013

BPH Energy Ltd and its controlled entities

CONSOLIDATED	Ordinary Share Capital \$	Accumulated losses \$	Options reserve \$	Fair Value Adjustment	Total attributable to owners of the parent entity \$	Non Controlling Interest \$	Total \$
Balance as at 1 July 2012	41,511,195	(8,074,395)	416,590	15,015,000	48,868,390	(79,241)	48,789,149
Loss for the period	-	(281,933)	-	-	(281,933)	(14,553)	(296,486)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the half year	-	(281,933)	-	-	(281,933)	(14,553)	(296,486)
Transactions with owners in their capacity as owners	-	-	2,198	-	2,198	-	2,198
Balance for the half year ending 31 December 2012	41,511,195	(8,356,328)	418,788	15,015,000	48,588,655	(93,794)	48,494,861
Balance as at 1 July 2013	41,511,195	(8,642,849)	419,646	15,015,000	48,302,992	(105,695)	48,197,297
Loss for the period	-	(335,645)	-	-	(335,645)	(8,688)	(344,333)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the half year	-	(335,645)	-	-	(335,645)	(8,688)	(344,333)
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-
Options charges during the period	-	-	8,460	-	8,460	-	8,460
Balance for the half year ending 31 December 2013	41,511,195	(8,978,494)	428,106	15,015,000	47,975,807	(114,383)	47,861,424

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
for the period ended 31 December 2013
 BPH Energy Ltd and its controlled entities

CONSOLIDATED		
Note	31 December 2013 \$	31 December 2012 \$
<i>Cash Flows From Operating Activities</i>		
Cash receipts from customers	-	-
Cash payments to suppliers	(286,546)	(323,572)
Interest received	6,759	22,924
Net cash used in operating activities	(279,787)	(300,648)
<i>Cash Flows From Investing Activities</i>		
Loans to related entities	(180,000)	(250,000)
Proceeds from borrowings	75,000	-
Net cash used in investing activities	(105,000)	(250,000)
<i>Net decrease in Cash Held</i>	(384,787)	(550,648)
<i>Cash At the Beginning Of The Financial Period</i>	900,599	1,798,924
<i>Cash At The End Of The Financial Period</i>	515,812	1,248,276

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial report of BPH Energy Ltd authorised for issue in accordance with a resolution of the directors on 7 February 2014.

BPH Energy Ltd is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 Interim Financial Reporting.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of BPH Energy Ltd as at 30 June 2013.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

It is also recommended that the half-year financial report be considered together with any public announcements made by BPH Energy Ltd and its controlled entities during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and the ASX Listing Rules.

(a) Basis of Preparation

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Significant Accounting Policies

The half-year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2013, except for the impact of the standards and interpretations below in note 2(c). The accounting policies are consistent with Australian Accounting Standards and with International Reporting Standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New standards

The Group has adopted all of the new and revised Standards issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof effective for the current half-year that are relevant to the Group include:

- AASB 10 Consolidated Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 11 Joint Arrangements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 12 Disclosure of Interests in Other Entities and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 127 Separate Financial Statements (2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 128 Investments in Associates and Joint Ventures (2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures – Offsetting Financial Assets and Financial Liabilities

The effects of applying these standards are described below.

- **AASB 10 Consolidated Financial Statements**

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

- **AASB 11 Joint Arrangements**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New standards (continued)

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

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

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

- **AASB 12 Disclosure of Interests in Other Entities**

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 will result in more extensive disclosures in the consolidated financial statements. However, this has not resulted in any changes to the interim financial report.

- **AASB 13 Fair Value Measurement**

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. AASB 134 requires particular AASB 13 disclosures in the interim financial statements which are provided in Note 9.

- **AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures – Offsetting Financial Assets and Financial Liabilities**

The Group has applied the amendments to AASB 7 ‘Disclosures – Offsetting Financial Assets and Financial Liabilities’ for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Position

The consolidated entity has incurred a net loss before tax for the period ended 31 December 2013 of \$486,381 (2012: \$371,139) and has a working capital deficit of \$546,511 (2012: surplus \$1,838,120) as at that date.

Included in other payables are amounts payable to the directors of the company of \$487,432 (30 June 2013: \$427,025). The directors have reviewed their expenditure and commitments for the consolidated entity and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their director's fees to conserve cash resources.

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, 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.

3. OPERATING INFORMATION

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

The consolidated entity's only operating segment is investments. The consolidated entity holds investments in two principal industries and these are biotechnology, and oil and gas exploration and development.

4. REVENUE, INCOME AND EXPENSES

	Consolidated	
	31 December 2013	31 December 2012
	\$	\$
<i>Revenue</i>		
Interest revenue : other entities	65,875	106,684
<i>Total revenue</i>	65,875	106,684

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2013 \$	30 June 2013 \$
For the purpose of the half-year condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand from continuing operations	515,812	900,599
	515,812	900,599

6. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2013 \$	30 June 2013 \$
172,562,245 (June 2013: 172,562,245) fully paid ordinary shares	41,511,195	41,511,195

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

	Consolidated	
	No.	\$
Movements in ordinary shares on issue		
At the beginning of reporting period	172,562,245	41,511,195
At reporting date	172,562,245	41,511,195

Capital Raising

During the period nil options were exercised (June 2013: nil options were exercised).

Fully Paid Ordinary Share Capital

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

7. COMMITMENTS AND CONTINGENT LIABILITIES

There has been no material changes to the commitments and contingencies since 30 June 2013.

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	31 December 2013 \$	30 June 2013 \$
Advent Energy Ltd	48,165,084	48,296,464
Molecular Discovery Systems Ltd	1,372,639	1,394,075
	49,537,723	49,690,539

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

(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 %	
		December 2013	June 2013
Molecular Discovery Systems	Australia	20%	20%
Advent Energy Ltd	Australia	27.4%	27.4%

9. FINANCIAL ASSETS

	Consolidated	
	31 December 2013	30 June 2013
	\$	\$
Current		
Unsecured Loans to other entities: (b)		
Grandbridge Limited	55,645	55,645
MEC Resources Limited and Advent Energy Limited	41,980	41,980
Secured Loans to other entities: (c)		
Cortical Dynamics Limited	-	1,142,376
Molecular Discovery Systems Limited	-	397,690
	<u>97,625</u>	<u>1,637,691</u>
Non-current		
Loans and receivables at amortised cost		
Unsecured loan to Cortical Dynamics Limited(b)	485,070	485,070
Molecular Discovery Systems Limited	461,100	461,100
Secured loans to other entities: (c)		
Cortical Dynamics Limited	1,305,452	-
Molecular Discovery Systems Limited	398,244	-
Available for sale financial assets (a)	<u>48,949</u>	<u>48,949</u>
	<u>2,698,815</u>	<u>995,119</u>

Fair Value of Financial Assets

The methods and valuation techniques used for the purpose of measuring fair value of the company's financial assets are unchanged compared to the previous reporting period.

Due to the application of AASB 13 this half-year, however, the company needs to disclose the fair value measurements by level of the fair value hierarchy for financial instruments that are measured at fair value on a recurring basis. The levels of the hierarchy are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

9. FINANCIAL ASSETS (CONTINUED)

This applies to the financial assets described in (a) below.

(a) Available for sale financial assets (Level 3) comprise:

Unlisted investments, at fair value

- Shares in other corporations

Total available for sale financial assets

48,949	48,949
48,949	48,949

(b) These loans are unsecured, non interest bearing and repayable on demand.

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

The company has 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 to Cortical being admitted to the Official list BPH Energy has a right of conversion to satisfy the debt on or before the termination date of 19 November 2014. As at reporting date the loan had been drawn down by an amount of \$443,697 (June 2013: \$479,371).

The company has entered into a convertible loan agreement with Molecular Discovery Systems. The loan is for a maximum amount of \$500,000 and is to be used for short term working capital requirements. Subject to Molecular Discovery Systems being admitted to the Official list BPH Energy has a right of conversion to satisfy the debt on or before the termination date of 26 November 2014. As at reporting date the loan had been drawn down by an amount of \$398,244 (June 2013: \$397,690).

On 28th February 2012 BPH Energy entered into an additional 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 had been drawn down by an amount of \$861,755 (June 2013: \$663,005). The terms of the facility were extended by 12 months, changing the termination date to 28 February 2015.

10. EVENTS SUBSEQUENT TO REPORTING 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.

Independent Auditor's Review Report to the members of BPH Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BPH Energy Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BPH Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Nexia Perth Audit Services Pty Ltd

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BPH Energy Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani

Director

Perth 7 February 2014