

**Appendix 4E - Preliminary Final Report**  
**BPH ENERGY LIMITED and its controlled subsidiaries**  
**For the year ended 30 June 2016**

**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 2016
Previous Corresponding Reporting Period	30 June 2015

**\$/A'000**

Revenues and other income from ordinary activities	down	19%	to	182
Loss from ordinary activities after tax attributable to members	down	98%	to	511
Net loss for the financial year attributable to members	down	98%	to	511
<b>Dividends (distributions)</b>		<b>Amount per security</b>		<b>Franked amount per security</b>
Final dividend		nil		nil
Interim dividend				
Previous corresponding period		n/a		n/a

**Other notes to the condensed financial statements**

	<b>Current period</b>	<b>Previous corresponding Period</b>
<b>Ratios</b>		
<b>Profit before tax / revenue</b>		
Consolidated loss from ordinary activities before tax as a percentage of revenue	(281.39%)	(13400.22%)
<b>Profit after tax / equity interests</b>		
Consolidated net loss from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(2.5%)	(126.98%)

	<b>Current period</b>	<b>Previous corresponding Period</b>
<b>NTA Backing</b>		
Net tangible asset backing per ordinary security	8.67cps	8.80cps

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**For the year ended 30 June 2016**

	<b>Current period</b>	<b>Previous corresponding period</b>
<b>Statement of Retained Earnings</b>		
Balance at beginning of the year	(36,384,122)	(9,896,412)
Net loss attributable to members of the parent entity	(509,458)	(26,487,710)
Total available for appropriation		
Dividends paid	-	-
Balance at year end	(36,893,580)	(36,384,122)

**Details of Associates and Joint Venture Entities**

<b>Name of Entity</b>	<b>Percentage Held</b>		<b>Share of Net Profit</b>	
	<b>Current Period</b>	<b>Previous Period</b>	<b>Current Period</b>	<b>Previous Period</b>
Advent Energy Ltd	27	27	(130,639)	(557,585)
Molecular Discovery Systems Limited	20	20	(30,967)	(45,546)
<b>Aggregate Share of Net Profits</b>			(161,606)	(298,037)

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

**Commentary on Results**

The Consolidated Group has incurred a net loss for the year ended 30 June 2016 of \$511,446 (2015: loss of \$26,490,513) and has a net cash outflow from operating activities of \$218,606 (2015: \$424,043). The Group has a working capital deficit of \$1,988,138 (2015: \$1,546,221).

**Significant Changes in State Of Affairs**

The major activities throughout the period were:

**Cortical Dynamics Ltd**

- In September 2015 Cortical Dynamics Ltd advised that it had received formal notification from the Therapeutic Goods Administration that a decision has been made to issue a conformity assessment certificate to Cortical under section 41EC of the Therapeutic Goods Act 1989. TGA certification will allow Cortical to market the Brain Anaesthesia Response ("BAR") monitor within Australia and via the TGA's mutual recognition agreement enable Cortical Dynamics to apply for CE Marking to sell the BAR monitor in Europe.
- During the period the results from the clinical trial written by Cortical's principal research scientist Dr Mehrnaz Shoushtarian, "Evaluation of the Brain Anaesthesia Response Monitor during anaesthesia for cardiac surgery: a double-blind, randomised controlled trial using two doses of fentanyl" were accepted for publication in the Journal of Clinical Monitoring and Computing.
- During the period the poster entitled "Comparisons of EEG measures of Hypnosis and Anti-Nociception in Response to Stimuli During Propofol Remifentanyl Anesthesia" was presented at the 2015 Annual Meeting of the American Society of Anesthesiologists in San Diego. The paper

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**For the year ended 30 June 2016**

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was presented by Mr Marko Sahinovic who was one of the co-authors on this paper with Cortical's principal research scientist Dr Mehrnaz Shoushtarian.

- During the period Cortical Dynamics successfully completed a small scale offering to existing shareholders of the company. A total of 1,005,000 shares were issued at \$0.10 per share raising \$100,500 for the Company.
- During the period Cortical Dynamics signed a letter of intent ("LOI") with Device Technologies Australia Pty Ltd ("Device"). Under the LOI Device will have exclusive distribution rights for Australia and New Zealand for the sale of products for a period of six (6) months. Subject to the overall market assessment outcome Device will have the right to continue the exclusive distribution rights for an addition 4 and a half (4.5) years.

**Advent Energy Ltd**

- On 28 January 2016 Advent Energy announced that the National Offshore Petroleum Titles Administrator (NOPTA) had approved a suspension of the PEP11 Year 2 work program of a 200km 2D seismic survey and geotechnical studies until 12th August 2016. Further application has been made to NOPTA to allow the planned seismic program to occur in 2017. As at the time of writing this report, that application is still pending.
- Advent Energy signed a Letter Of Intent ("LOI") with Northern Minerals (ASX: NTU) for the potential future supply of gas to their Browns Range heavy rare earth element project in north-eastern Western Australia. The non-binding LOI provides an initial framework for discussion, information sharing and negotiation towards a possible gas supply agreement.
- During the period Advent Energy subsidiary, Asset Energy Pty Ltd, executed a contract for the seismic activities within PEP11 in the offshore Sydney Basin. The contracted vessel will perform a high resolution 2D seismic survey covering approximately 200 line km to assist in the drilling of the Baleen target approximately 30 km south east of Newcastle, New South Wales.
- Following application by Onshore Energy Pty Ltd the WA Department of Mines & Petroleum granted a suspension of the condition requiring the completion of the existing work commitments for a period of twelve (12) months to 31 March 2017.

**Molecular Discovery Systems Ltd**

- The Molecular Cancer Research Group at the Harry Perkins Institute of Medical Research continued with their research of HLS5 during the year. In a significant further phase of this research the Perkins Institute researchers have developed a pre-clinical model of liver cancer and have demonstrated, in this model that removing the expression of HLS5 (TRIM35) can accelerate the development of liver disease.

## 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: 26 August 2016  
Company Secretary

Print name: Deborah Ambrosini

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**BPH ENERGY LIMITED**  
ACN 095 912 002

Annual Report 2016

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## Company Information

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### Directors

David Breeze – Chairman/Managing Director  
Thomas Fontaine – Non Executive Director  
Bruce Whan – Non Executive Director  
Greg Gilbert – Non Executive Director (appointed 4 March 2016)

### Scientific Advisors

Professor Peter Klinken  
Professor David Liley

### Registered Office

14 View Street, NORTH PERTH WA 6006

### Principal Business Address

14 View Street, NORTH PERTH WA 6006  
Telephone: (08) 9328 8366  
Facsimile: (08) 9328 8733  
Website: [www.bphenergy.com.au](http://www.bphenergy.com.au)  
E-mail: [admin@bphenergy.com.au](mailto:admin@bphenergy.com.au)

### Auditor

HLB Mann Judd  
Level 4  
130 Stirling Street  
PERTH WA 6000

### Share Registry

Advanced Share Registry Limited  
110 Stirling Highway  
NEDLANDS WA 6009

### 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

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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 2016.

## Directors

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

D L Breeze  
T Fontaine  
B Whan  
G Gilbert (appointed 4 March 2016)

## Company Secretary

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

## Principal Activities

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

## Operating Results

The consolidated loss of the Group after providing for income tax was \$511,446 (2015: loss \$26,490,513).

## Dividends

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

## Review of Operations

### Investment in Oil and Gas Exploration Company

#### Advent Energy Ltd ("Advent"):

BPH Energy currently holds an interest of 27% in unlisted Australian exploration company Advent Energy Ltd ("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 and PEP11 (85%) in the offshore Sydney Basin.

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

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

The Sydney Basin is a proven petroleum basin with excellent potential for the discovery of gas and oil. Advent has demonstrated an active hydrocarbon system with seeps reported in the offshore area and sampling has

# Directors' Report

BPH Energy Limited and its controlled entities

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indicated the presence of thermogenic hydrocarbon gas. This is considered to occur in basins actively generating hydrocarbons and/or that contain excellent migration pathways. Previous drilling has shown that the early Permian geological sequence is mature for hydrocarbons.

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

## **Investment in Biotechnology Companies**

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

### Molecular Discovery Systems Limited ("MDSYSTEMS")

MDSYSTEMS was established to acquire high content information from large scale sample analysis to create a range of direct and indirect commercial opportunities. Research and development is focused on oncology drug discovery and further validating HLS5 as a novel tumour suppressor gene.

#### Drug Discovery:

MDSYSTEMS has core expertise in high-content imaging and analysis. MDSYSTEMS' owned IN Cell Analyser 1000 (GE Healthcare) is a semi-automated cellular imaging and analysis platform that combines high-resolution imaging and high-content analysis and is ideally suited for screening compounds that modulate complex cellular responses. The IN Cell Analyser 1000 is utilised for the discovery and development of new cancer drugs.

However, in 2014 after careful consideration of general market conditions and available resources, MDSYSTEMS made a decision to indefinitely suspend its early stage drug discovery program. This change was made effective from July 2014.

#### HLS5 Project:

MDSYSTEMS is working with the Molecular Cancer Research Group at the Harry Perkins Institute of Medical Research to validate HLS5 as a novel tumour suppressor gene, particularly for liver cancer.

The researchers at the Perkins Institute originally identified HLS5 (TRIM35) as a tumour suppressor associated with leukemia. However, in a separate study conducted in China, low levels of HLS5 (TRIM35) was found to correlate with human liver cancer development, and that reduced HLS5 (TRIM35) expression could potentially be used as prognostic marker for the disease.

In a significant further phase of this research the Perkins Institute researchers have developed a pre-clinical model of liver cancer and have demonstrated, in this model that removing the expression of HLS5 (TRIM35) can accelerate the development of liver disease.

Research undertaken by the Perkins Institute team, and laboratories in China, has revealed that HLS5 (TRIM35) is capable of slowing the growth of tumour cells in culture, including suppression of liver cancer cells.

Liver cancer ranks as the second leading cause of cancer-related deaths in developing countries. An estimated 782,500 new cases of liver cancer and 745,500 deaths occurred worldwide in 2012, of which China alone accounted for almost 50% of cases. While survival rates for many cancers have improved over the past two decades, there has been no major improvement in liver cancer prognosis.

Liver cancer also looms as one of Australia's greatest cancer challenges, with new analyses predicting increased mortality from the disease in the future. At present, limited treatment options exist for patients with liver cancer.

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Liver cancer also looms as one of Australia's greatest cancer challenges, with new analyses predicting increased mortality from the disease in the future. At present, limited treatment options exist for patients with liver cancer.

## Cortical Dynamics Limited ("Cortical"):

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

During the year Cortical has achieved a major milestone in the commercialisation of its Brain Anaesthesia Response Monitor (BAR). Cortical received notification from the Therapeutic Goods Administration ("TGA") that a decision was made to issue a conformity assessment certificate to Cortical under section 41EC of the Therapeutic Goods Act 1989. In addition to this Cortical also received notification that to it would be issued MRA EC certificates ("CE Mark") under the Mutual Recognition Agreement (MRA) with the European Union therefore allowing the CE mark to be applied to the BAR monitor.

Having achieved TGA certification and the CE Mark, Cortical is now able to market the BAR monitor within Australia and Europe.

Further to the above Cortical signed a Letter of Intent ("LOI") with Device Technologies Australia ("Device") for the BAR Monitor. Under the LOI Device will have exclusive distribution rights for Australia and New Zealand for the sale of products for a period of six (6) months. Subject to the overall market assessment outcome Device will have the right to continue the exclusive distribution rights for an additional 4 and a half (4.5) years.

## **Financial Position**

The Consolidated Group has incurred a net loss for the year ended 30 June 2016 of \$511,446 (2015: loss of \$26,490,513) and has a net cash outflow from operating activities of \$218,606 (2015: \$424,043). The Group has a working capital deficit of \$1,988,138 (note 17 b) (2015: \$1,546,221).

The net assets of the Consolidated Group decreased by \$425,389 to \$20,314,026 at 30 June 2016.

Included in trade creditors and payables is director fee accruals of \$1,151,613 (2015: \$947,380). The directors have reviewed their expenditure and commitments for the Consolidated Group and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources.

On 1 June 2016 BPH announced a Share Purchase Plan. Under the SPP eligible shareholders would be entitled to purchase up to a maximum of \$15,000 worth of shares at a price of \$0.00533 per share. The offer was capped to a maximum of 30% of the Company's share capital. The plan closed on 5 July 2016 significantly oversubscribed with an amount of approximately \$374,000 being raised. Further to the SPP the Company also undertook a placement to professional and sophisticated investors who were existing shareholders of the Company. Under the placement a further \$245,000 was raised.

The directors have prepared cash flow forecasts that indicate that the Consolidated Group will have sufficient cash flows for a period of at least 12 months from the date of this report.

# Directors' Report

BPH Energy Limited and its controlled entities

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Based on the cash flow forecasts including directors voluntarily suspending cash payments for their director fees the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

## Significant Changes in State Of Affairs

The major activities throughout the period were:

- During the year Cortical received notification from the Therapeutic Goods Administration (“TGA”) that a decision was made to issue a conformity assessment certificate to Cortical under section 41EC of the Therapeutic Goods Act 1989. In addition to this Cortical also received notification that to it would be issued MRA EC certificates (“CE Mark”) under the Mutual Recognition Agreement (MRA) with the European Union therefore allowing the CE Mark to be applied to the BAR monitor. Having achieved TGA certification and the CE Mark, Cortical is now able to market the BAR monitor within Australia and Europe.
- During the period the results from the clinical trial written by Cortical’s principal research scientist Dr Mehrnaz Shoushtarian, “Evaluation of the Brain Anaesthesia Response Monitor during anaesthesia for cardiac surgery: a double-blind, randomised controlled trial using two doses of fentanyl” were accepted for publication in the Journal of Clinical Monitoring and Computing.
- During the period the poster entitled “Comparisons of EEG measures of Hypnosis and Anti-Nociception in Response to Stimuli During Propofol Remifentanyl Anesthesia” was presented at the 2015 Annual Meeting of the American Society of Anesthesiologists in San Diego. The paper was presented by Mr Marko Sahinovic who was one of the co-authors on this paper with Cortical’s principal research scientist Dr Mehrnaz Shoushtarian.
- During the period Cortical Dynamics successfully completed a small scale offering to existing shareholders of the company. A total of 1,005,000 shares were issued at \$0.10 per share raising \$100,500 for the Company.
- During the period Cortical Dynamics signed a letter of intent (“LOI”) with Device Technologies Australia Pty Ltd (“Device”). Under the LOI Device will have exclusive distribution rights for Australia and New Zealand for the sale of products for a period of six (6) months. Subject to the overall market assessment outcome Device will have the right to continue the exclusive distribution rights for an addition 4 and a half (4.5) years.
- On 28 January 2016 Advent announced that the National Offshore Petroleum Titles Administrator (NOPTA) had approved a suspension of the PEP11 Year 2 work program of a 200 km 2D seismic survey and geotechnical studies until 12th August 2016. Further application has been made to NOPTA to allow the planned seismic program to occur in 2017. As at the time of writing this report, that application is still pending.
- Following application by Onshore Energy Pty Ltd the WA Department of Mines & Petroleum granted a suspension of the condition requiring the completion of the existing work commitments for a period of twelve (12) months to 31 March 2017.
- Advent signed a Letter Of Intent (“LOI”) with Northern Minerals (ASX: NTU) for the potential future supply of gas to their Browns Range heavy rare earth element project in north-eastern Western Australia. The non-binding LOI provides an initial framework for discussion, information sharing and negotiation towards a possible gas supply agreement.
- During the period Asset Energy Pty Ltd executed a contract for the seismic activities within PEP11 in the offshore Sydney Basin. The contracted vessel will perform a high resolution 2D seismic survey covering

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approximately 200 line km to assist in the drilling of the Baleen target approximately 30 km south east of Newcastle, New South Wales.

- The Molecular Cancer Research Group at the Harry Perkins Institute of Medical Research continued with their research of HLS5 during the year. In a significant further phase of this research the Perkins Institute researchers have developed a pre-clinical model of liver cancer and have demonstrated, in this model that removing the expression of HLS5 (TRIM35) can accelerate the development of liver disease.

## After Balance Date Events

On the 1<sup>st</sup> June 2016 BPH announced a Share Purchase Plan. Under the SPP eligible shareholders would be entitled to purchase up to a maximum of \$15,000 worth of shares at a price of \$0.00533 per share. The offer was capped to a maximum of 30% of the Company's share capital. The plan closed on 5 July 2016 significantly oversubscribed with an amount of approximately \$374,000 being raised. Further to the SPP the Company also undertook a placement to professional and sophisticated investors who were existing shareholders of the Company. Under the placement a further \$245,000 was raised.

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

## Information on Directors

### **D L Breeze**

*Managing Director and Executive Chairman – Age 62*

Shares held – 17,945,643

Unlisted Options held – nil

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; and held executive and director positions in the stock broking industry.

David has a Bachelor of Economics and a Masters of Business Administration, and is a Fellow of the Financial Services Institute of Australasia, and a Fellow of the Institute of Company Directors of Australia. He has published in the Journal of Securities Institute of Australia and has also acted as an Independent Expert under the Corporations Act. He has worked on the structuring, capital raising and public listing of over 70 companies involving in excess of \$250M. These capital raisings covered a diverse range of areas including oil and gas, gold, food, manufacturing and technology.

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

### **T Fontaine**

*Non-Executive Director – Age 51*

Shares held – 2,192,223

Unlisted Options held – 2,000,000

Tom is a reservoir engineer with over 25 years of experience in project evaluation management, development and capital raising. Tom has been part owner of petroleum engineering companies Epic Consulting in Canada and Focal Petroleum in Australia and has provided technical services to many companies worldwide.

# Directors' Report

BPH Energy Limited and its controlled entities

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He is also primarily responsible for the startup and subsequent listing on the Australian Stock Exchange of Bounty Oil & Gas NL in 2002, and Coal Bed Methane Company Pure Energy Resources Pty Ltd in 2006 which was acquired in 2009 by BG Group PLC in a \$1 billion takeover.

Tom is also currently involved with several small exploration companies in Canada, Russia, Cuba, Nepal, Timor Leste and Africa.

## **B Whan**

*Non-Executive Director – Age 67*

Shares held – nil

Unlisted Options held – 2,000,000

Bruce Whan, BEng, PhD, FAICD, has a background in industry covering a range of research, operations and management positions, followed by a long career in the management of innovation and commercialisation of R&D, in particular from the public research sector.

For 12 years he was a Director of Swinburne Knowledge and CEO of Swinburne Ventures Limited, Swinburne University's commercialisation company. Bruce was a member of the Commercialisation Australia board and has been director of several companies, mostly start-ups out of Swinburne, and for 10 years was Chairman of the Victorian Innovation Centre Limited (INNOVIC), a non-profit company assisting innovators at all levels. He is also a Director of one Cooperative Research Centre. Bruce has in-depth knowledge and working experience of the challenges of the innovation process and of bringing the outputs of R&D through the commercialisation process to successful market entry.

Bruce is also a Director of Molecular Discovery Systems Limited and Cortical Dynamics Limited.

## **G Gilbert (appointed 4 March 2016)**

*Executive Director – Age 68*

Shares held – nil

Unlisted Options held - nil

Greg is a specialist in strategy and planning and most recently was the Science Adviser to the Federal Minister for Industry and Science. He has a Masters in Science from Cranfield University in the UK and, in addition, has a Masters in Health Administration from La Trobe University, an MBA from Deakin University, a BA from the University of Queensland, and a Dip.App Sc from the Royal Military College Duntroon. He is currently undertaking a doctorate with a research interest in productivity efficiency.

Greg has an extensive background in the health and aged care sector as well as in merchant banking and banking, having held the positions in global strategy and finance with the National Australia Bank, as well as having worked in executive roles with Capel Court Investment Bank, and CIBC Australia Limited.

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.

## **Remuneration Report (Audited)**

This report details the nature and amount of remuneration for key management personnel of BPH Energy. The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

This information provided in this remuneration report has been audited as a required by Section 308(3C) of the Corporations Act 2001.

# Directors' Report

BPH Energy Limited and its controlled entities

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## **Key Management Personnel**

The Directors and other key management personnel of the Group during or since the end of the financial year were:

D L Breeze - Executive Chairman and Managing Director  
T Fontaine – Non Executive Director  
G Gilbert – Non Executive Director (appointed 4 March 2016)  
B Whan – Non-Executive Director  
D Ambrosini – Company Secretary

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

## **Remuneration Policy**

The remuneration policy of BPH Energy Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives as determined by the board and/or shareholders. The remuneration report as contained in the 2015 financial accounts was adopted at the Company's 2015 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 Company, 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 Company is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options.
- The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

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

Executives are also entitled to participate in the employee share and option arrangements.

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

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

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Payments to non-executive directors are based on market practice, duties and accountability. Independent external advice is sought when required on payments to non-executive directors. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. 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.

# Directors' Report

BPH Energy Limited and its controlled entities

## Employment contracts of key management personnel

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

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

### Details of Remuneration for the year ended 30 June 2016

The remuneration for each key management personnel of the consolidated entity during the year was as follows:  
**2016**

Key Management Person	Short-term Benefits				Post-employment Benefits
	Salary and fees	Bonus	Non-cash benefit	Other	Superannuation
D L Breeze	148,000	-	-	-	-
T Fontaine	25,000	-	-	-	-
B Whan	25,000	-	-	-	-
G Gilbert	8,333	-	-	-	-
D Ambrosini	-	-	-	-	-

### 2016 (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	-	-
T Fontaine	-	-	14,000	39,000	-	36
B Whan	-	-	-	25,000	-	-
G Gilbert	-	-	-	8,333	-	-
D Ambrosini	-	-	-	-	-	-

### 2015

Key Management Person	Short-term Benefits				Post-employment Benefits
	Salary and fees	Bonus	Non-cash benefit	Other	Superannuation
D L Breeze	148,000	-	-	-	-
H Goh	20,833	-	-	-	-
T Fontaine	4,167	-	-	-	-
B Whan	10,417	-	-	-	-
D Ambrosini	14,583	-	-	-	-

# Directors' Report

BPH Energy Limited and its controlled entities

## 2015 (cont'd)

Key Person	Management	Long-term Benefits		Share-based payment		Total	Performance Related	Compensation Relating to Options
		Other	Equity	Options	\$			
D L Breeze		-	-	-		148,000	-	-
H Goh		-	-	6,000		26,833	-	22
T Fontaine		-	-	-		4,167	-	-
B Whan		-	-	6,000		16,417	-	37
D Ambrosini		-	-	15,000		29,583	-	50

## Interest in the shares and options of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by Directors as at the date of this report

### Options and Rights Holdings

#### 2016 Number of Options Held by Key Management Personnel

	Balance 1.7.2015	Granted as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2016	Total Vested 30.6.2016	Total Exercisable and Vested 30.6.2016	Total Unexercisable 30.6.2016
D L Breeze	-	-	-	-	-	-	-	-
T Fontaine	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
B Whan	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
G Gilbert	-	-	-	-	-	-	-	-
D Ambrosini	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-

\*The Net Change Other reflected above includes those options that have been forfeited by holders, directors that have resigned, options that have expired.

### Shareholdings

#### 2016 Number of Shares Held by Key Management Personnel

	Balance 1.7.2015	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2016
D L Breeze	17,945,643	-	-	-	17,945,643
G Gilbert	-	-	-	-	-
T Fontaine	2,192,223	-	-	-	2,192,223
B Whan	-	-	-	-	-
D Ambrosini	-	-	-	-	-

\*The Net Change Other reflected above includes those shares of directors that have resigned or has been appointed during the year.

### Share based payments:

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

# Directors' Report

BPH Energy Limited and its controlled entities

Grant Date	Date of Expiry	Fair Value at Grant Date	Exercise Price	Vesting Date
20 April 2015	31 March 2020	\$0.0030	\$0.020	At grant date
27 November 2015	30 November 2020	\$0.0070	\$0.020	At grant date

There are no further service or performance criteria that need to be met in relation to options granted.

The following grants of share based payment compensation to directors and senior management relate to the current financial year:

Name	Option Series	No. Granted	No. vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
T Fontaine	27 November 2015	2,000,000	2,000,000	100%	-	35.89%

The following table summarises the value of options granted, exercised or lapsed during the year to directors and senior management:

Name	Value of options granted at grant date (i)	Value of options exercised at the exercise date	Value of options lapsed at the date of lapse
T Fontaine	14,000	Nil	Nil

No options were exercised during the year (2015: nil).

During the year nil options lapsed (2015:1,500,000).

## End of remuneration report.

### Additional Information Meetings of Directors

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

	Directors' Meetings	
	Number eligible to attend	Number attended
D L Breeze	1	1
G Gilbert	1	1
T Fontaine	1	1
B Whan	1	1

### Indemnifying Officers or Auditors

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

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$24,338.

- D Breeze
- T Fontaine
- B Whan
- G Gilbert

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

# Directors' Report

BPH Energy Limited and its controlled entities

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## 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 2016 (2015: 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
1 July 2013	30 June 2018	\$0.08	1,075,000
2 April 2015	31 March 2020	\$0.02	967,500
20 April 2015	31 March 2020	\$0.02	9,000,000
27 November 2015	30 November 2020	\$0.02	2,000,000

During the year ended 30 June 2016 nil ordinary shares of BPH Energy Ltd were issued on the exercise of options granted under the BPH Energy Ltd Incentive Option Scheme (2015: Nil). No amounts are unpaid on any of the shares.

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

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

## Proceedings on Behalf of Company

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

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 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.



**David Breeze**

Dated this 26th August 2016

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of BPH Energy Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia  
26 August 2016

**B McVeigh**  
Partner

# Corporate Governance

BPH Energy Limited and its controlled entities

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The Board of Directors of BPH Energy Limited 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.

A copy of the Company's Corporate Governance Statement can be found on the Company's website at [www.bphenergy.com.au](http://www.bphenergy.com.au)

# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

	Note	Consolidated	
		2016 \$	2015 \$
Revenue from ordinary activities	2	181,758	224,420
Other income	2	3,000	-
Share of associates' loss	13	(161,787)	(603,131)
Impairment of investment in associate	13	-	(27,959,823)
Administration expenses		(116,932)	(135,490)
Provision against loans	10	-	(1,084,370)
Consulting and legal expenses		(140,188)	(148,650)
Research and development expenses		-	(716)
Depreciation and amortisation expense	3	(72)	(75)
Employee expense	3	(123,303)	(202,591)
Insurance expenses		(21,151)	(29,176)
Service Fees		(116,945)	(123,256)
Other expenses		(15,826)	(10,945)
Loss Before Income Tax		(511,446)	(30,073,803)
Income tax benefit	14	-	3,583,290
Loss for the year		(511,446)	(26,490,513)
Other Comprehensive Income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
Total Comprehensive loss for the period		(511,446)	(26,490,513)
Loss attributable to non-controlling interests		(1,988)	(2,803)
Loss attributable to members of the parent entity		(509,458)	(26,487,710)
Total Comprehensive loss attributable to owners of the Company		(509,458)	(26,487,710)
Total Comprehensive loss attributable to non-controlling interests		(1,988)	(2,803)
<i>Earnings Per Share –</i>			
<i>Basic and diluted earnings per share (cents per share)</i>	6	(0.22)	(11.31)

The accompanying notes form part of these financial statements.

# Statement of Financial Position

as at 30 June 2016

BPH Energy Limited and its controlled entities

		Consolidated	
	Note	2016 \$	2015 \$
<b>Current Assets</b>			
Cash and cash equivalents	7	111,648	98,562
Trade and other receivables	8	8,155	4,071
Financial assets	10	97,625	97,625
Other current assets	9	24,417	27,313
<b>Total Current Assets</b>		<b>241,845</b>	<b>227,571</b>
<b>Non-Current Assets</b>			
Financial assets	10	2,289,308	2,108,025
Investments in associates	13	19,915,966	20,077,753
Intangible assets	11	72,454	72,454
Property, plant and equipment	12	22	94
<b>Total Non-Current Assets</b>		<b>22,277,750</b>	<b>22,258,326</b>
<b>Total Assets</b>		<b>22,519,595</b>	<b>22,485,897</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,217,748	1,013,259
Financial liabilities	16	987,818	733,220
<b>Total Current Liabilities</b>		<b>2,205,566</b>	<b>1,746,479</b>
<b>Total Liabilities</b>		<b>2,205,566</b>	<b>1,746,479</b>
<b>Net Assets</b>		<b>20,314,029</b>	<b>20,739,418</b>
<b>Equity</b>			
Issued capital	17	41,828,904	41,759,904
Reserve	18	15,501,707	15,484,650
Accumulated losses		(36,893,580)	(36,384,122)
Non-controlling interest		(123,002)	(121,014)
<b>Total Equity</b>		<b>20,314,029</b>	<b>20,739,418</b>

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

Consolidated							
Note	Ordinary share capital \$	Accumulated losses \$	Option reserve \$	Reserves \$	Total attributable to owners of the parent entity \$	Non- controlling Interest \$	Total \$
<b>Balance at 1 July 2014</b>	41,511,195	(9,896,412)	435,726	15,015,000	47,065,509	(118,211)	46,947,298
Loss attributable to members of the consolidated entity	-	(26,487,710)	-	-	(26,487,710)	(2,803)	(26,490,513)
Other Comprehensive income (net of tax)	-	-	-	-	-	-	-
<b>Total Comprehensive income for the year</b>	-	(26,487,710)	-	-	(26,487,710)	(2,803)	(26,490,513)
Transactions with owners in their capacity as owners							
Shares issued under Share Purchase Plan	203,709	-	-	-	203,709	-	203,709
Shares issued to related party post approval at GM	45,000	-	-	-	45,000	-	45,000
Employee options expense	-	-	33,924	-	33,924	-	33,924
<b>Balance at 30 June 2015</b>	41,759,904	(36,384,122)	469,650	15,015,000	20,860,432	(121,014)	20,739,418
<b>Balance at 1 July 2015</b>	41,759,904	(36,384,122)	469,650	15,015,000	20,860,432	(121,014)	20,739,418
Loss attributable to members of the consolidated entity	-	(509,458)	-	-	(509,458)	(1,988)	(511,446)
Other Comprehensive income (net of tax)	-	-	-	-	-	-	-
<b>Total Comprehensive income for the year</b>	-	(509,458)	-	-	(509,458)	(1,988)	(511,446)
Transactions with owners in their capacity as owners							
Shares issued under Share Purchase Plan	69,000	-	-	-	69,000	-	69,000
Employee options expense 18(a)	-	-	17,057	-	17,057	-	33,924
<b>Balance at 30 June 2016</b>	41,828,904	(36,893,580)	486,707	15,015,000	20,437,031	(123,002)	20,314,029

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

	Note	Consolidated	
		2016 \$	2015 \$
<b><i>Cash Flows From Operating Activities</i></b>			
Payments to suppliers and employees		(219,083)	(424,043)
Interest received		477	-
<b>Net cash used in operating activities</b>	20	<b>(218,606)</b>	<b>(424,043)</b>
<b><i>Cash Flows From Investing Activities</i></b>			
Loans to/from related parties		2,692	(22,215)
Repayments received		-	50,000
<b>Net cash provided by investing activities</b>		<b>2,692</b>	<b>27,785</b>
<b><i>Cash Flows From Financing Activities</i></b>			
Proceeds from issue of securities (net of share issue costs)		69,000	203,709
Proceeds from borrowings		160,000	110,000
<b>Net cash provided by financing activities</b>		<b>229,000</b>	<b>313,709</b>
Net increase/(decrease) in Cash Held		13,086	(82,549)
Cash at the beginning of the Financial Year		98,562	181,111
<b>Cash At The End Of The Financial Year</b>	7	<b>111,648</b>	<b>98,562</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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## 1. Statement of Significant Accounting Policies

### Corporate Information

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

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

The financial report was authorised for issue on 26th August 2016 by the board of directors.

### Basis of Preparation

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

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

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

### Compliance with IFRS

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

### Financial Position

The Consolidated Group has incurred a net loss for the year ended 30 June 2016 of \$511,446 (2015: loss of \$26,490,513) and has a net cash outflow from operating activities of \$218,606 (2015: \$424,043). The Group has a working capital deficit of \$1,988,138 (note 17 b) (2015: \$1,546,221).

The net assets of the Consolidated Group decreased by \$425,389 to \$20,314,026 at 30 June 2016.

Included in trade creditors and payables is director fee accruals of \$1,151,613 (2015: \$947,380). The directors have reviewed their expenditure and commitments for the Consolidated Group and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources.

On 1 June 2016 BPH announced a Share Purchase Plan. Under the SPP eligible shareholders would be entitled to purchase up to a maximum of \$15,000 worth of shares at a price of \$0.00533 per share. The offer was capped to a maximum of 30% of the Company's share capital. The plan closed on 5 July 2016 significantly oversubscribed with an amount of approximately \$374,000 being raised. Further to the SPP the Company also undertook a placement to professional and sophisticated investors who were existing shareholders of the Company. Under the placement a further \$245,000 was raised.

The directors have prepared cash flow forecasts that indicate that the Consolidated Group 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 including directors voluntarily suspending cash payments for their director fees the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

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.

### Accounting Policies

#### (a) Principles of Consolidation

##### *(i) Subsidiaries*

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

A list of controlled entities is contained in Note 19 to the financial statements. All controlled entities have a June financial year-end.

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

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

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

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

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

##### *(ii) Changes in ownership interests*

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

### (a) Principles of Consolidation (continued)

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.

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 profit or loss and other comprehensive income except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

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

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

### Tax incentives

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

### (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 Company 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 statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

#### Depreciation

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

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

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

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

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

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

### (d) Financial Instruments

#### Recognition and Initial Measurement

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

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

### (d) Financial Instruments (continued)

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

##### *(ii) Loans and receivables*

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

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

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

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

##### *(iv) Financial liabilities*

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

#### **Fair value**

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

#### **Impairment**

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

### (d) Financial Instruments (continued)

#### *Assets carried at amortised cost*

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

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

#### *Assets classified as available-for-sale*

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

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

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

### (e) Impairment of Assets

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

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

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

### (f) Investments in Associates

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

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

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

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

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

### (g) Intangibles

#### Research

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

#### Patents and Trademarks

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

### (h) Employee Benefits

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

### (i) Provisions

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

### (j) Cash and Cash Equivalents

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

### (k) Revenue and Other Income

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

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

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

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

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

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

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

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

### (m) Trade and other payables

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

### (n) Share based payments

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

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

### (n) Share based payments (continued)

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.

### (o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, the directors (see Note 22).

### (p) Earnings per share

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

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

### (q) Critical accounting estimates and judgments

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

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

#### *Key judgements — Provision for Impairment of Loans Receivables*

Included in the accounts of the Consolidated Group are amounts from receivables of \$97,625 (2015: \$97,625) and non-current loan receivables of \$2,289,308 (2015: \$2,108,025). In 30 June 2015 financial year the Company raised a provision against its unsecured loans with Cortical Dynamics Ltd and Molecular Discovery Systems Ltd resulting in a non-cash expense of \$1,084,370. This provision can be reversed upon payment of the loans.

#### *Key Judgments — Impairment of Intangible Assets*

No impairment has been recognised in respect of intangible assets for the year ended 30 June 2016 (2015: \$nil). The directors believe that the carrying value of all intangibles is appropriate after reviewing the status of each entity's developments. The directors are confident that the products will provide the necessary returns to the Company.

#### *Key Judgments — Provision for impairment of Investments in Associates*

The directors have obtained an independent expert's valuation report at 30 June 2015 which supports the recoverable amount of the investments in associates of \$19,915,966 (2015: \$20,077,753).

#### Investment in Molecular Discovery Systems

The recoverable amount of the investment in Molecular Discovery Systems Limited was greater than the carrying amount of the investment and hence no impairment loss was recognised (2015: nil) – refer to note 13.

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

### (q) Critical accounting estimates and judgments (continued)

#### Investment in Advent Energy Ltd

The recoverable amount of the investment in Advent Energy Limited was greater than the carrying amount of the investment and hence no impairment loss was recognised (2015: nil) – refer to note 13.

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

#### Standards and Interpretations applicable to 30 June 2016

In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

#### *Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

	Consolidated	
	2016 \$	2015 \$
<b>2. Revenue</b>		
<b>Revenue</b>		
Interest revenue: other entities	181,292	223,219
Interest revenue : cash accounts	466	1,201
	181,758	224,420
<b>Other income</b>		
ATO refund	3,000	-
	3,000	-
<b>3. Expenses Included in Loss for the year</b>		
Depreciation		
- Depreciation	72	75
Employee costs		
- Salary	-	89,379
- Superannuation	-	7,244
- Director fees	106,246	100,000
- Share based payments	3,057	6,924
- Share based payments to directors	14,000	27,000
- Other payroll costs	-	(27,956)
Total employee costs	123,303	202,591

## 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  
T Fontaine- Non Executive Director  
B Whan – Non Executive Director  
G Gilbert – Non Executive Director (appointed 4 March 2016)  
D Ambrosini –Company Secretary .

	Consolidated	
	2016 \$	2015 \$
Short term employee benefits	106,246	100,000
Consulting fee	98,000	98,000
Share based payments	14,000	27,000
	218,246	225,000

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 4. Key Management Personnel Compensation (continued)

Included in trade creditors and payables is director and consulting fee accruals of \$1,151,613 (30 June 2015: \$947,380).

Director	Amount Owing 30 June 2016
David Breeze	699,591
Thomas Fontaine	29,166
Greg Gilbert ( appointed 4 March 2016)	116,648
Bruce Whan	35,417
Directors who have previously resigned	270,791
Balance owing at 30 June 2016	1,151,613

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

## 5. Auditors' Remuneration

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report

HLB Mann Judd

Nexia Perth Audit Services

2016	2015
\$	\$

16,000	-
10,525	31,454
26,525	31,454

## 6. Earnings per share

**Consolidated**

2016	2015
\$	\$

For basic and diluted Earnings Per Share

Total earnings per share attributable to ordinary equity holders of the company	(509,458)	(26,487,710)
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Earnings used in the calculation of basic earnings per share and diluted earnings per share	(509,458)	(26,487,710)
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For basic and diluted Earnings Per Share (cents per share)

From continuing operations	(0.22)	(11.31)
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Total Basic Earnings per Share and Diluted Earnings per Share	(0.22)	(11.31)
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Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS

No.	No.
235,766,727	234,167,061

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 2016

BPH Energy Limited and its controlled entities

		<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>7. Cash and cash equivalents</b>			
	Cash at Bank and in hand	103,172	90,346
	Short-term bank deposits	8,476	8,216
		<u>111,648</u>	<u>98,562</u>
	<b>Reconciliation of cash</b>		
	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>111,648</u>	<u>98,562</u>
<b>8. Trade and other receivables</b>			
	<b>Current</b>		
	Other receivables	8,155	4,071
		<u>8,155</u>	<u>4,071</u>
<b>9. Other Assets</b>			
	<b>Current</b>		
	Prepaid insurance	24,417	27,313
		<u>24,417</u>	<u>27,313</u>
<b>10. Financial Assets</b>			
	<b>Loans and receivables at amortised cost</b>		
	<b>Current</b>		
	Unsecured Loans to other entities: (c)		
	Grandbridge Limited	55,645	55,645
	MEC Resources Ltd	2,494	2,494
	Advent Energy Ltd	39,486	39,486
		<u>97,625</u>	<u>97,625</u>
	<b>Non - Current</b>		
	<b>Loans and receivables at amortised cost</b>		
	Unsecured Loans to other entities:		
	Cortical Dynamics Limited (c)	-	-
	Molecular Discovery Systems Limited (c)	-	-
	Secured Loans to other entities: (a)		
	Cortical Dynamics Limited	1,738,359	1,585,417
	Molecular Discovery Systems Limited	502,000	473,659
	<b>Available for sale financial assets at fair value</b>		
	Investments in unlisted entities (b)	48,949	48,949
		<u>2,289,308</u>	<u>2,108,025</u>

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 10. Financial Assets (continued)

### (a) Secured loans

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

The company has a convertible loan agreement with MDSystems. The loan is for a maximum amount of \$500,000 and is to be used for short term working capital requirements. Subject to MDSystems being admitted to the Official list, BPH Energy has a right of conversion to satisfy the debt on or before the termination date. As at reporting date the loan had been drawn down by an amount of \$502,000 (2015: \$473,659).

The company has two convertible loan agreements with Cortical Dynamics. One loan is for a maximum amount of \$500,000 and is to be used for short term working capital requirements. Subject to Cortical being admitted to the Official list, BPH Energy has a right of conversion to satisfy the debt on or before the termination date. As at reporting date the loan had been drawn down by an amount of \$533,560 (2015: \$490,326).

On 28th February 2012 BPH Energy entered into a second convertible loan agreement with Cortical Dynamics. The facility is for an amount of \$1,000,000 and has an annual interest rate of 9.40%. The loan will be used for short term working capital requirements and funding further development of the BAR monitor. The loan is convertible at BPH's election if Cortical is unsuccessful in its application for admission to the Official List. As at reporting date the loan had been drawn down by an amount of \$1,205,286 (2015: \$1,095,091) which includes the fully drawn down facility and accrued interest.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
(b) Available for sale financial assets at fair value		
Cortical Dynamics Limited	48,949	48,949
	<b>48,949</b>	<b>48,949</b>

### (c) Unsecured loans

The has Company raised a provision against its unsecured loans with Cortical Dynamics Ltd and Molecular Discovery Systems Ltd for \$494,170 and \$590,200 respectively resulting in a non- cash expense of \$1,084,370. The provision can be reversed upon payment of the loans.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
11. Intangible assets		
Patent costs capitalised		
Cost	72,454	72,454
Accumulated amortisation and impairment	-	-
Net carrying value	<b>72,454</b>	<b>72,454</b>
Total intangibles	<b>72,454</b>	<b>72,454</b>

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

	Consolidated	
	2016 \$	2015 \$
<b>12. Property, Plant and Equipment</b>		
Plant and Equipment:		
At cost	41,486	41,486
Accumulated depreciation	(41,464)	(41,392)
Total Property, Plant and Equipment	22	94

	Consolidated	
	2016 \$	2015 \$
<b>(a) Movements in Carrying Amounts</b>		
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.		
Balance at the beginning of the year	94	169
Depreciation expense	(72)	(75)
Carrying amount at the end of the year	22	94

## 13. Investments accounted for using the equity method

### Shares in Associates

Advent Energy Limited	19,380,613	19,511,430
Molecular Discovery Systems Limited	535,353	566,323
	19,915,966	20,077,753
Opening Balance of Investment in Advent Energy Limited on 1 July 2015	19,511,430	
Share of Associate losses for the year	(130,817)	
Balance at 30 June 2016	19,380,613	
Opening Balance of Investment in Molecular Discovery Systems Limited on 1 July 2015	566,323	
Share of Associate losses for the year	(30,970)	
Balance at 30 June 2016	535,353	

Based on a valuation prepared by an independent expert at 30 June 2015 and recent commercial discussions, management have made an assessment and believe that there is not a material change in the fair value of their investments at reporting date.

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

### Valuation processes

The directors informally assess the fair value of its investments biannually. A formal assessment is performed as necessary by obtaining an external independent valuation report. The fair value of the Group's investment in Advent Energy Ltd as at 30 June 2015 has been supported by a valuation report prepared at 30 June 2015 by an independent expert valuer. The expert holds appropriate qualifications and recent experience in the valuation of investments of this nature. The fair value was determined using the expected monetary value and enterprise value valuation methods; valuation estimations have been undertaken in accordance with the requirements of the Valmin Code (2005) for the technical assessment and valuation of mineral and petroleum assets. The fair value of the Group's investment in MDS has been supported by a recent capital raising completed in MDS in January 2016. MDS successfully completed the capital raising at \$0.02 per share.

### Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See above for the valuation techniques adopted.

Description	Carrying value at 30 June 2016	Significant inputs	Range of inputs
Advent Energy Ltd	\$19,380,613	Discount rate	10 – 15%
		Gas price	\$5 - \$12 per mcf
		Exchange rate	AUD\$1:USD\$0.7693
		Gas resource	PEP11: 5.7 Tcf (best estimate) EP386: 344.5 bcf (best estimate) RL1: 11.5 bcf (best estimate)
Molecular Discovery Systems Ltd	\$535,353	Most recent sale price	\$0.02 per share

Advent and its subsidiaries have current commitments for its exploration permits of \$5,150,000 over the next 12 months. To assist in meeting these commitments, the Group is continually seeking and reviewing potential sources of both equity and debt funding. Advent is currently in negotiations with a number of parties on the terms of investment and management has confidence that a suitable outcome will be achieved however there is no certainty at this stage that those discussions will result in further funding being made available.

In relation to the Group's exploration commitments (which include Asset Energy Pty Ltd completing 200km of 2D seismic and geotechnical studies within the PEP 11 area by 12 August 2016 Advent's wholly owned subsidiary, Asset Energy Pty Ltd, lodged an application in respect of Petroleum Exploration Permit 11 ("PEP11") with the National Offshore Petroleum Titles Administrator ("NOPTA") prior to 30 June 2016 to vary a condition of PEP11, suspend the years 2 and 3 work commitments and request a subsequent extension of the PEP11 permit term. NOPTA is currently assessing the application.

Asset Energy Pty Ltd has invested over \$25 million in the PEP11 title in recent history, and, along with its JV partner Bounty Oil and Gas NL, is committed to continuing to explore for and ultimately exploit any petroleum accumulations which may be identified in this title area.

In addition to the 2D seismic commitment, Advent is committed to drill an exploration well and perform a seismic survey by the end of March 2017 for EP 386. These 2 commitments comprise the significant balance of \$4,797,500.

The application to vary a condition of the title and suspend the years 2 and 3 work commitments was prepared following discussions with NOPTA, however a decision has not been received by the Company from NOPTA. The above conditions indicate the uncertainty that may affect the ability of the Group to realise the carrying value of the exploration assets in the ordinary course of business.

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

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
		2016	2015	
Molecular Discovery Systems Limited	Australia	20%	20%	Biomedical Research
Advent Energy Limited	Australia	27%	27%	Oil and Gas Exploration

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

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

### (a) Summarised financial information of associates

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

	Total of Associate							Reconciliation to the Carrying Amount				
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Revenues	Loss for the Year	Total Comprehensive Loss for the Year	Net Assets of Associate	Ownership interest %	Goodwill	Other Adjustments*	Carrying Amount of the Group's Interest
<b>2016</b>												
Molecular Discovery Systems Ltd	30,525	312,003	1,358,382	-	173	(154,837)	(154,837)	(203,170)	20	1,487,291	(748,768)	535,353
	30,525	312,003	1,358,382	-	173	(154,837)	(154,837)	(203,170)	20	1,487,291	(748,768)	535,353
Advent Energy Ltd	110,131	28,055,584	5,351,194	-	1,708	(483,134)	(483,134)	6,169,046	27.04	-	13,211,567	19,380,613
	110,131	28,055,584	5,351,194	-	1,708	(483,134)	(483,134)	6,169,046	27.04	-	13,211,567	19,380,613
<b>2015</b>												
Molecular Discovery Systems Ltd	16,187	383,503	1,319,698	-	1,623	(227,734)	(227,734)	(184,003)	20	1,487,291	(736,965)	566,323
	16,187	383,503	1,319,698	-	1,623	(227,734)	(227,734)	(184,003)	20	1,487,291	(736,965)	566,323
Advent Energy Ltd	320,978	28,059,222	5,082,545	-	1,463	(2,062,077)	(2,062,077)	6,299,686	27.04	-	13,211,744	19,511,430
	320,978	28,059,222	5,082,545	-	1,463	(2,062,077)	(2,062,077)	6,299,686	27.04	-	13,211,744	19,511,430

\* Other adjustments comprise:

*Advent Energy Ltd – Impairment Loss:* The directors have obtained an independent expert's valuation report which indicated that the carrying value of BPH's investment was not impaired.

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 14. Income Tax Expense

	Consolidated	
	2016 \$	2015 \$
(a) The components of tax expense/(benefit) comprise:		
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Current tax	-	-
Deferred income tax credit	-	(3,583,290)
	-	(3,583,290)
Deferred income tax (credit)/expense included in income tax expense comprises:		
Increase in deferred tax assets (note 28)	-	(2,440,615)
Decrease in deferred tax liabilities (note 28)	-	6,023,905
	-	(3,583,290)
(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% (2015: 30%)	(153,424)	(9,021,141)
Add tax effect of:		
Non deductible expenses	57,788	12,073
Tax benefit of revenue losses and temporary differences not recognised (Note 28)	95,646	5,425,778
Effect of previously unrecognised and unused tax losses now recognised as deferred tax assets	-	-
Temporary differences	-	-
Income tax benefit recognised	-	(3,583,290)
(c) Income tax expense recognised in other comprehensive income		
Fair value gain adjustments	-	-
d) Current tax liabilities		
Income tax	-	-
(e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (Note 28)	8,466,212	8,343,648
Potential tax benefit @30%	2,539,864	2,503,094

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

	Consolidated	
	2016 \$	2015 \$
<b>15. Trade and other payables</b>		
Trade payables	28,594	14,553
Sundry payables and accrued expenses	1,189,154	998,706
	1,217,748	1,013,259
<b>16. Financial Liabilities</b>		
Current		
Current borrowings – unsecured	987,818	733,220
	987,818	733,220

Loans payable are unsecured, non-interest bearing and repayable on demand.

	Consolidated	
	2016 \$	2015 \$
<b>17. Issued Capital</b>		
235,766,727 (2015: 235,766,727) fully paid ordinary shares	41,828,904	41,759,904
The Company has no authorised capital and the issued shares do not have a par value.		

	Consolidated		Consolidated	
	2016 \$	2015 \$	2016 No.	2015 No.
<b>(a) Ordinary Shares</b>				
At the beginning of reporting period	41,759,904	41,511,195	235,766,727	172,562,245
Shares issued during the year	-	248,709	-	63,204,482
Shares to be issued at closure of SPP	69,000	-	-	-
At reporting date	41,828,904	41,759,904	235,766,727	235,766,727

On 1 June 2016 BPH announced a Share Purchase Plan. Under the SPP eligible shareholders would be entitled to purchase up to a maximum of \$15,000 worth of shares at a price of \$0.00533 per share. The offer was capped to a maximum of 30% of the Company's share capital. The plan closed on 5 July 2016 significantly oversubscribed with an amount of approximately \$374,000 being raised. Further to the SPP the Company also undertook a placement to professional and sophisticated investors who were existing shareholders of the Company. Under the placement a further \$245,000 was raised. At balance date \$69,000 was received in related to the SPP.

## Capital Raising

There were nil options exercised during the year (2015: nil).

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 17. Issued Capital (continued)

### Fully Paid Ordinary Share Capital

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

### Options

There were 13,042,500 employee options on issue at the end of the year:

Total number	Exercise price	Expiry date
1,075,000	\$0.080	30 June 2018
967,500	\$0.02	31 March 2020
9,000,000	\$0.02	31 March 2020
2,000,000	\$0.02	30 November 2020
<b>13,042,500</b>		

The market price of the company's ordinary shares at 30 June 2016 was 0.007 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 2016 and 30 June 2015 are as follows:

	Consolidated	
	2016 \$	2015 \$
Cash and cash equivalents	111,648	98,562
Trade receivables and financial assets	105,750	101,696
Trade payables and financial liabilities	(2,205,566)	(1,746,479)
Working capital position*	(1,988,138)	(1,546,221)

\*Refer to note 1 for further details of the Group's financial position and plans to manage the working capital deficit at 30 June 2016.

Reconciliation of movement	Consolidated	
	2016 \$	2015 \$
<b>18. Reserves</b>		
Options Reserve (a)	486,707	469,650
Asset Revaluation Reserve (b)	15,015,000	15,015,000
	<b>15,501,707</b>	<b>15,484,650</b>

### (a) Option Reserve

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

	Consolidated	
	2016 \$	2015 \$
<b>Reconciliation of movement</b>		
Opening balance	469,650	435,726
Option charges during the year	17,057	33,924
Closing balance	486,707	469,650

## (b) Asset Revaluation Reserve

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

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

## 19. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %		Investment %	
			2016	2015	2016	2015
<b>Parent Entity</b>						
BPH Energy Ltd	Investment	Australia				
<b>Subsidiaries</b>						
Diagnostic Array Systems Pty Ltd	BioMedical Research	Australia	51.82	51.82	-	-

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

BPH owns 51.82% equity interest in Diagnostic Array Systems Pty Ltd and consequentially controls more than half of the voting power of those shares. Mr David Breeze is the Chairman of both entities. BPH therefore has control over the financial and operating policies of Diagnostic Array Systems Pty Ltd. Diagnostic Array Systems Pty Ltd is deemed to be controlled by the Group and is consolidated in these financial statements.

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>20. Cash Flow Information</b>		
<b>(a) Reconciliation of Cash Flow from Operations with Profit after income tax</b>		
Operating loss after income tax	(511,446)	(26,490,513)
Non-cash flows in profit:		
Depreciation and amortisation	72	75
Interest revenue on loans	(181,283)	(224,420)
Share based payment expense	17,057	33,924
Intercompany recharges	59,473	56,524
Provision against loans	-	1,084,370
Interest expense on loans	10,530	4,245
Share of Associates' losses	161,787	603,131
Impairment of investment in associate	-	27,959,823
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase) in trade and other receivables	-	(223)
Decrease in other assets	2,896	550
(Decrease) in provisions	-	(27,957)
Increase in trade payables and accruals	222,308	159,718
(Decrease) in deferred tax liabilities	-	(3,583,290)
<b>Cash outflow from operations</b>	<b>(218,606)</b>	<b>(424,043)</b>
<b>(b) Financing Facilities</b>		
Credit card facility (limit)	20,000	20,000
Used credit card facility	-	-

## 21. Financial Risk Management

### a) Financial Risk Management

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

#### i. Financial Risk Exposures and Management

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

##### Interest rate risk

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 21. Financial Risk Management (continued)

### a) Financial Risk Management (continued)

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

##### Liquidity risk

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

##### Credit risk

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

##### Foreign currency risk

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

### b) Financial Instruments

#### i. Interest rate risk

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

#### Consolidated Group

2016	Weighted Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate 1 Year or less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>						
Cash and cash equivalents	.009	111,648	-	-	-	111,648
Trade and other receivables		-	-	-	8,155	8,155
Other financial assets	8.58	-	2,240,359	-	97,625	2,337,984
<b>Total Financial Assets</b>		111,648	2,240,359	-	105,780	2,457,787
<b>Financial Liabilities</b>						
Trade and sundry payables		-	-	-	1,217,748	1,217,748
Financial liabilities	8.97	-	-	282,897	704,921	987,818
<b>Total Financial Liabilities</b>		-	-	282,897	1,922,669	2,205,566

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 21. Financial Risk Management (continued)

### b) Financial Instruments (continued)

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

2015	Weighted Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate 1 Year of less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>						
Cash and cash equivalents	.009	98,562	-	-	-	98,562
Trade and other receivables		-	-	-	4,071	4,071
Other financial assets	8.58	-	2,059,076	-	97,625	2,156,701
<b>Total Financial Assets</b>		<b>98,562</b>	<b>2,059,076</b>	<b>-</b>	<b>101,696</b>	<b>2,259,334</b>
<b>Financial Liabilities</b>						
Trade and sundry payables		-	-	-	1,013,259	1,013,259
<b>Financial liabilities</b>	<b>8.97</b>	<b>-</b>	<b>-</b>	<b>114,859</b>	<b>618,361</b>	<b>733,220</b>
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>114,859</b>	<b>1,631,620</b>	<b>1,746,479</b>

#### ii. Fair Values

The fair values of:

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

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

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Available-for-sale financial assets	48,949	48,949	48,949	48,949
Loans and receivables	2,337,987	2,337,987	2,156,701	2,156,701
	<b>2,386,933</b>	<b>2,386,933</b>	<b>2,205,650</b>	<b>2,205,650</b>
<b>Financial Liabilities</b>				
Other loans and amounts due	987,818	987,818	733,220	733,220
Trade payables	1,217,748	1,217,748	1,013,259	1,013,259
	<b>2,205,566</b>	<b>2,205,566</b>	<b>1,746,479</b>	<b>1,746,479</b>

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 21. Financial Risk Management (continued)

### b) Financial Instruments (continued)

#### iii. Sensitivity Analysis

##### Interest Rate Risk

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

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

	Consolidated Group	
	2016	2015
<b>Change in profit</b>		
— Increase in interest rate 1%	621	986
— Decrease in interest rate by 0.5%	(310)	(483)

#### iv. Liquidity risk

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

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

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

### 30 June 2016

	Carrying amount	Total	Contractual cash flows				
			2 mths or less	2-12 mths	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>							
Trade and other payables	1,217,748	(1,217,748)	-	(1,217,748)	-	-	-
Unsecured loan	987,818	(987,818)	-	(987,818)	-	-	-
	<u>2,205,566</u>	<u>(2,205,566)</u>	-	<u>(1,922,669)</u>	<u>(282,897)</u>	-	-

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 21. Financial Risk Management (continued)

### b) Financial Instruments (continued)

30 June 2015

	Carrying amount	Total	Contractual cash flows				More than 5 years
			2 mths or less	2-12 mths	1-2 years	2-5 years	
<b>Financial liabilities</b>							
Trade and other payables	1,013,259	(1,013,259)	-	(1,013,259)	-	-	-
Unsecured loan	733,220	(733,220)	-	(733,220)	-	-	-
	<u>1,746,479</u>	<u>(1,746,479)</u>	<u>-</u>	<u>(1,631,620)</u>	<u>(114,859)</u>	<u>-</u>	<u>-</u>

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

30 June 2016

	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Investments in unlisted entities	-	-	48,949	48,949
Total	<u>-</u>	<u>-</u>	<u>48,949</u>	<u>48,949</u>

30 June 2015

	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Investments in unlisted entities	-	-	48,949	48,949
Total	<u>-</u>	<u>-</u>	<u>48,949</u>	<u>48,949</u>

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 21. Financial Risk Management (continued)

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

Reconciliation of fair value measurements of financial assets

	<b>2016</b>	<b>2015</b>
	<b>Level 3</b>	<b>Level 3</b>
Opening balance	48,949	48,949
Reclassifications	-	-
Purchases	-	-
Total gains or losses in other comprehensive income	-	-
Total gains or losses in the profit and loss	-	-
Closing balance	<u>48,949</u>	<u>48,949</u>

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

The fair value of the Group's investment in Cortical as at 30 June 2016 has been arrived at on the basis of a valuation performed on 30 June 2014 by an independent expert valuer to the Company. The valuer holds the appropriate qualifications and recent experience in the valuation of investments of this nature. The fair value was determined using the relative valuation methodology. The approach considers the value of broadly comparable listed entities which are at a similar stage of biotechnology product life cycle to Cortical Dynamics. The valuation supported the carrying value of BPH's AFS investment in the company.

## 22. Operating Segment

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

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

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

On 1 June 2016 BPH announced a Share Purchase Plan. Under the SPP eligible shareholders would be entitled to purchase up to a maximum of \$15,000 worth of shares at a price of \$0.00533 per share. The offer was capped to a maximum of 30% of the Company's share capital. The plan closed on 5 July 2016 significantly oversubscribed with an amount of approximately \$374,000 being raised. Further to the SPP the Company also undertook a placement to professional and sophisticated investors who were existing shareholders of the Company. Under the placement a further \$245,000 was raised.

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 24. Related Party Transactions

### (a) Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 19 to the financial statements.

### (b) Directors' Remuneration

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

### (c) Directors' Equity Holdings

	Parent	
	2016 No.	2015 No.
<i>Ordinary Shares</i>		
Held as at the date of this report by directors and their director-related entities in:		
BPH Energy Limited	20,137,866	20,137,866
<i>Other Equity Instruments</i>		
<i>Options</i>		
Held as at the date of this report by directors and their director-related entities in:		
BPH Energy Limited	4,000,000	2,000,000

Refer to note 4 for details of options granted to directors during the year.

### (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 (2015: \$98,000) was accrued during the year.

### (e) Interest in Associates

A loan receivable exists between BPH Energy and MDSystems \$590,200 (2015:\$590,200). This amount is unsecured, non interest bearing and repayable on demand. During the 2015 financial year the Company raised a provision against the full amount of this loan. The provision can be reversed upon payment of this loan.

A loan payable exists between BPH Energy and MDSystems \$61,310 (2015:\$61,310). This amount is unsecured, non interest bearing and repayable on demand.

A convertible loan agreement exists between BPH Energy and MDSystems. The loan is for a maximum amount of \$500,000 and is to be used for short term working capital requirements. Subject to MDSystems being admitted to the Official list, BPH Energy has a right of conversion to satisfy the debt on or before the termination date. As at reporting date, the loan has been drawn down by an amount of \$502,000 (2015: \$473,659). Interest charged on the loan totalled \$28,341 (2015: \$39,118).

A loan payable exists between Advent Energy and BPH Energy of \$39,486 (2015: \$ 39,486). This amount is unsecured, non-interest bearing and repayable on demand.

### (f) Other Interests

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

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 25. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2016:

Total number	Grant Date	Exercise price	Fair value at grant date	Expiry date
1,075,000	1 July 2013	\$0.080	\$0.0013	30 June 2018
967,500	2 April 2015	\$0.020	\$0.0004	31 March 2020
9,000,000	20 April 2015	\$0.020	\$0.0030	31 March 2020
2,000,000	27 November 2015	\$0.020	\$0.0070	30 November 2020
<b>13,042,500</b>				

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.

During the year, 2,000,000 options were issued under the company's employee share option plan. The options were issued on 27 November 2015 and expire on 30 November 2020 with a strike price of \$0.02.

The fair value of the options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used.

Fair value at grant date	\$0.007
Share price at grant date	\$0.007
Exercise price	\$0.02
Expected volatility	75%
Expected life	5 years
Expected dividends	Nil
Risk-free interest rate	2.5%
Valuation	\$14,000

The total value of these options was \$14,000 at the date that they were granted.

	Consolidated Group			
	2016		2015	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	11,367,500	0.02	2,975,000	0.51
Granted	2,000,000	0.02	9,967,500	0.02
Forfeited	-	-	-	-
Expired	(325,000)	0.16	(1,575,000)	0.88
Outstanding at year-end	13,042,500	0.03	11,367,500	0.02
Exercisable at year-end	12,039,167	0.02	10,041,667	0.03

No options were exercised during the year ended 30 June 2016 (2015: nil).

Included under employee benefits expense in the profit and loss is \$17,057 of which \$14,000 relates to options granted to directors. (2015: \$33,924), and relates, in full, to equity.

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

## 26. Commitments and Contingencies

At reporting date there are no contingent liabilities.

	Parent	
	2016 \$	2015 \$
<b>27. Parent Entity Disclosures</b>		
<b>Financial Position</b>		
<b>Assets</b>		
Current assets	241,292	219,740
Non-current assets	23,218,574	23,188,955
Total asset	23,459,866	23,408,695
<b>Liabilities</b>		
Current liabilities	2,102,742	1,631,307
Non-current liabilities	-	-
Total liabilities	2,102,742	1,631,307
<b>Equity</b>		
Issued Capital	41,828,904	41,759,904
Retained earnings	(35,973,487)	(35,466,166)
<b>Reserves</b>		
Option Reserve	486,707	469,650
Asset Revaluation Reserve	15,015,000	15,015,000
Total equity	21,357,124	21,778,388
<b>Financial Performance</b>		
Profit/Loss for the year	(507,321)	(26,395,795)
Other comprehensive income	-	-
Total comprehensive income	(507,321)	(26,395,795)

# Notes to the Financial Statements for the year ended 30 June 2016

BPH Energy Limited and its controlled entities

	Consolidated	
	2016	2015
	\$	\$
<b>28. Tax</b>		
<b>(a) Unrecognised Deferred Tax Assets</b>		
Deductible temporary differences not recognised	2,987,898	2,922,684
Tax losses not recognized (Note 14)	2,539,864	2,503,094
	<u>5,527,762</u>	<u>5,425,778</u>
<b>(b) Deferred tax</b>		
Deferred tax balances are presented in the statement of financial position as follows:		
Deferred tax assets	8,194	8,194
Deferred tax liabilities	(8,194)	(8,194)
Closing balance	<u>-</u>	<u>-</u>

# Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 14 to 49 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 2015 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 26th day of August 2016

## 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 ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation 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*, 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 about 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 Group'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 and its controlled entities' 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

### *Independence*

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

### **Auditor's 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 Group's financial position as at 30 June 2016 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

**HLB Mann Judd**  
**Chartered Accountants**

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

**B G McVeigh**  
**Partner**

**Perth, Western Australia**  
**26 August 2016**

# 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 16<sup>th</sup> August 2016

## 1. (a) Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	425	179,722	0.05
1,001 – 5,000	464	1,520,140	0.42
5,001 – 10,000	349	2,716,697	0.76
10,001 – 100,000	902	34,567,313	9.65
100,001 and over	463	319,107,905	89.12
	2,603	358,091,777	100.00

## (b) Distribution of Unlisted Optionholders

Range of Holding	Optionholders	Number of Options	%
10,001 to 100,000	2	142,500	0.01
100,001 and over	9	12,900,000	99.99
	10	13,042,500	100.00

## 2. Voting Rights - Shares

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

## 3. Voting Rights - Options

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

## 4. Restricted Securities

### Shares

Number of Shares free of escrow

358,091,777

# Additional Securities Exchange Information

BPH Energy Limited and its controlled entities

## 5. Twenty Largest Shareholders as at 16th August 2016

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

<b>Name</b>	<b>Number of ordinary fully paid shares</b>	<b>% held of issued ordinary capital</b>
Trandcorp Pty Ltd	16,208,332	4.53
MEC Resources Ltd	14,366,095	4.01
Spelta Gary John and Spelta Narelle	10,903,341	3.04
Bollam Christopher Lyndsay	7,504,700	2.10
BT Portfolio Svcs Ltd	5,877,013	1.64
S3 Consortium Pty Ltd	5,628,518	1.57
Chin Tong Lim	5,519,873	1.54
JP Morgan Nominees Australia Limited	5,139,266	1.44
Mansour Maher	5,107,546	1.43
Cox Leonard Keith and Cox Eva Marie	5,093,187	1.42
Alderman Richard	5,000,000	1.40
Gibbs Gary Robert and Gibbs Karen Pamela	4,814,258	1.34
Humphries Malcolm Randall and Humphries Betty Lorraine	4,023,896	1.12
Gleneagle Sec Aust PL	3,846,450	1.07
Yi Gemma	3,790,784	1.06
Eastwood Financial and Investment Services	3,743,280	1.05
Lam Terry Luong	3,600,000	1.01
Peterson Victor Harold	3,482,246	0.97
Durnin Valentine and Durnin Pauline	3,415,057	0.95
Barlow Janet Winifred	3,414,258	0.95
	<b>125,617,366</b>	<b>35.08</b>

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

BPH Energy Limited

ABN / ARBN:

41095912002

Financial year ended:

30 June 2016

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: <http://bphenergy.com.au/investor/corporate-governance.html>

The Corporate Governance Statement is accurate and up to date as at 26 August 2016 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 26 August 2016

Name of Secretary authorising lodgement:



Deborah Ambrosini

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> <a href="http://bphenergy.com.au/investor/corporate-governance.html">http://bphenergy.com.au/investor/corporate-governance.html</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at <a href="http://bphenergy.com.au/investor/corporate-governance.html">http://bphenergy.com.au/investor/corporate-governance.html</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]  ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]  ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>