



Appendix 4D -Half year report

Results for announcement to the market

Name of Entity	BPH Energy Limited
ABN	41 095 912 002
Half Year Ended	31 December 2014
Previous Corresponding Reporting Period	31 December 2013

\$A'000

Revenues from ordinary activities	down	121%	to	145
(Loss) from ordinary activities after tax attributable to members	up	4,122%	to	(14,169)
Net (loss) for the period attributable to members	up	4,122%	to	(14,169)
Dividends (distributions)	Amount per security	Franked amount per security		
Final dividend	Nil	Nil		
Interim dividend				
Previous corresponding period	N/A	N/A		

Please refer to attached accounts for commentary on the results

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
Loss before tax / revenue		
Consolidated (loss) from ordinary activities before tax as a percentage of revenue	(12,195.83)%	(500.32)%
Loss after tax / equity interests		
Consolidated net (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(34.13)%	(5.42)%

NTA Backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	19.0 cps	29.93 cps

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BPH Energy Ltd and its controlled entities

Commentary on Results

The loss of the consolidated entity after providing for income tax amounted to \$14,170,250 (2013: \$344,333).

The net assets of the consolidated entity decreased by \$14,166,788 to \$32,780,510 at 31 December 2014. This decrease has largely resulted from the write down of the group's investment in associated entities. The impairment loss has been recorded in the statement of profit and loss. In 2011 the Group, made a fair value adjustment of \$21,450,000 (\$15,015,000 net of tax) to the investment in Advent Energy Limited, as a result of the move from an available for sale to equity accounting. Under Australian Accounting Standards, the impairment loss cannot be recognised against the reserve and must be recognised in the profit and loss. Following the decline of the price of oil and oil equivalents during the period the fair value of Advent, in line with other companies decreased in the 6 months to 31 December 2014. As a result management recorded an impairment loss of \$17,024,807. Under the Australian Accounting Standards the loss cannot be written off against the reserve and hence has been recognised in statement of profit and loss.

Significant developments during the period include :

Cortical Dynamics Ltd

- Cortical is progressing the BAR monitor toward regulatory approval in Australia and Europe. In 2013 Cortical lodged an application for Conformity Assessment Certification with the Australian therapeutics and goods administration (TGA), a review which comprises of an on-site audit of a company's manufacturing facility in addition to the examination of the device's clinical evidence.

The on-site audit showed Cortical to satisfactorily comply with the manufacturing standard established under the *Therapeutic Goods Act 1989*. Satisfactorily complying with the TGA on-site audit validates Cortical's Quality Management System to a standard that is recognised for the design, development and manufacturing of safe medical devices.

Late 2014 Cortical Dynamics Ltd voluntarily withdrew its Conformity Assessment application after receiving feedback from the TGA. Cortical subsequently refined its application to better reflect the Essential Principles of the TGA and submitted an amended application in February 2015. TGA certification will allow Cortical to market the BAR monitor within Australia.

- During period Cortical re-located its manufacturing and research facility to the STC incubator in Scoresby Victoria. The re-location to the STC - a facility designed to promote commercialisation and entrepreneurship around next-generation innovation - will provide the network and support to further advance the development and commercialisation of the BAR monitor.

Molecular Discover Systems Ltd

- The team at the Harry Perkins Institute of Medical Research has begun examining the liver sections of aged HLS5 knockout mice for the presence or absence of cancer. This experiment is a precursor to a larger, long-term experiment which will further define HLS5's role in liver cancer progression and development.

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Advent Energy Ltd

- During the period, Advent Energy's wholly owned subsidiary, Asset Energy Pty Ltd (**Asset**), received a 12 month suspension of its PEP11 permit year 2 work program of a 200 km 2D seismic survey and geotechnical studies.
- Asset commenced preparation of an Environment Plan for approval by National Offshore Petroleum Safety and Environmental Management Authority prior to undertaking the seismic acquisition in the PEP11 permit, offshore NSW.
- Advent Energy continued with commercial discussions, planning and engineering evaluation for development of its conventional gas resources in EP386 and RL1, onshore Bonaparte Basin

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Company Information

Directors

David Breeze – Executive Chairman
Hock Goh – Non Executive Director
Deborah Ambrosini –Executive Director and
Company Secretary (resigned 2 February
2015)
Bruce Whan (appointed 2 February 2015)

Scientific Advisors

Professor Peter Klinken
Professor David Liley

Registered Office

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Auditor

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

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Australian Business Number

41 095 912 002

Directors' Report

BPH Energy Ltd and its controlled entities

The directors of BPH Energy Ltd submit herewith the financial report for the half year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

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

D L Breeze

H Goh

D Ambrosini (resigned 2 February 2015)

B Whan (appointed 2 February 2015)

Review of Operations

Operating loss for the consolidated entity after tax for the year was \$14,170,250 (2013 \$344,333).

Significant changes in state of affairs

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

Subsequent Events

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

Dividends

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

Auditor's Independence

The directors received a declaration of independence from the auditor. This is included in the financial report on page 2.

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

On behalf of the Directors



D L Breeze

Executive Chairman

PERTH, 24 February 2015

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

To the directors of BPH Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2014, there have been:

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

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

Perth 24 February 2015

Directors' Declaration

BPH Energy Ltd and its controlled entities

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

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

D L Breeze
Executive Chairman
PERTH, 24 February 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2014

BPH Energy Ltd and its controlled entities

		CONSOLIDATED	
	Note	31 December 2014 \$	31 December 2013 \$
Interest revenue	4	145,567	65,875
Administration expenses		(55,827)	(52,049)
Consulting and legal expenses		(71,123)	(73,730)
Depreciation and amortisation expense		(36)	(237)
Employee benefits expense		(33,532)	(50,185)
Insurance expenses		(16,244)	(15,198)
Other expenses		(53,278)	(65,275)
Debt write off		-	-
Share of Associates Loss		(550,134)	(152,813)
Impairment loss on investment in associate		(17,024,807)	-
Research and Development expenses		(24,897)	(73,976)
Service expenses		(68,793)	(68,793)
Operating Loss before income tax		(17,753,104)	(486,381)
Income tax benefit		3,582,854	142,048
Operating Loss for the period		(14,170,250)	(344,333)
Other comprehensive income			
Net losses on available-for-sale financial assets net of income tax		-	-
Total Comprehensive income for the period		(14,170,250)	(344,333)
Loss attributable to non-controlling interest		(947)	(8,688)
Loss attributable to members of the parent entity		(14,169,303)	(335,645)
Earnings per share-			
Basic and Diluted (cents per share)		(0.08)	(0.19)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
for the period ended 31 December 2014
BPH Energy Ltd and its controlled entities

		CONSOLIDATED	
	Note	31 December 2014 \$	30 June 2014 \$
Current Assets			
Cash and cash equivalents	5	113,584	181,111
Trade and other receivables		4,919	3,848
Financial Assets	9	44,092	97,625
Other Current Assets		21,611	27,863
Total Current Assets		184,206	310,447
Non-Current Assets			
Financial assets	9	3,145,914	2,995,145
Investment in associates	8	31,065,767	48,640,707
Intangible assets		72,454	72,454
Property, plant and equipment		133	169
Total Non-Current Assets		34,284,268	51,708,475
Total Assets		34,468,474	52,018,922
Current Liabilities			
Trade and other payables		986,910	898,541
Financial liabilities		689,460	561,836
Provisions		11,594	23,409
Total Current Liabilities		1,687,964	1,483,786
Non-Current Liabilities			
Provisions		-	4,548
Deferred Tax liabilities		-	3,583,290
Total Non-Current Liabilities		-	3,587,838
Total Liabilities		1,687,964	5,071,624
Net Assets		32,780,510	46,947,298
Equity			
Issued capital	6	41,511,195	41,511,195
Reserve		15,454,188	15,450,726
Accumulated losses		(24,065,715)	(9,896,412)
Non-controlling interests		(119,158)	(118,211)
Total Equity		32,780,510	46,947,298

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity for the half year ended 31 December 2014

BPH Energy Ltd and its controlled entities

CONSOLIDATED	Ordinary Share Capital \$	Accumulate d losses \$	Options reserve \$	Fair Value Adjustment	Total attributable to owners of the parent entity \$	Non Controlling Interest \$	Total \$
Balance as at 1 July 2013	41,511,195	(8,642,849)	419,646	15,015,000	48,302,992	(105,695)	48,197,297
Loss for the period	-	(335,645)	-	-	(335,645)	(8,688)	(344,333)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the half year	-	(335,645)	-	-	(335,645)	(8,688)	(344,333)
Transactions with owners in their capacity as owners	-	-	8,460	-	8,460	-	8,460
Balance for the half year ending 31 December 2013	41,511,195	(8,978,494)	428,106	15,015,000	47,975,807	(114,383)	47,861,424
Balance as at 1 July 2014	41,511,195	(9,896,412)	435,726	15,015,000	47,065,509	(118,211)	46,947,298
Loss for the period	-	(14,169,303)	-	-	(14,169,303)	(947)	(14,170,250)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the half year	-	(14,169,303)	-	-	(14,169,303)	(947)	(14,170,250)
Transactions with owners in their capacity as owners	-	-	3,462	-	3,462	-	3,462
Balance for the half year ending 31 December 2014	41,511,195	(24,065,715)	439,188	15,015,000	32,899,668	(119,158)	32,780,510

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows for the period ended 31 December 2014

BPH Energy Ltd and its controlled entities

		CONSOLIDATED	
	Note	31 December 2014 \$	31 December 2013 \$
Cash Flows From Operating Activities			
Cash receipts from customers		-	-
Cash payments to suppliers		(217,969)	(286,546)
Interest received		442	6,759
Net cash used in operating activities		(217,527)	(279,787)
Cash Flows From Investing Activities			
Loans to related entities		-	(180,000)
Proceeds from borrowings		150,000	75,000
Net cash used in investing activities		150,000	(105,000)
<i>Net decrease in Cash Held</i>		(67,527)	(384,787)
<i>Cash At the Beginning Of The Financial Period</i>		181,111	900,599
Cash At The End Of The Financial Period	5	113,584	515,812

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial report of BPH Energy Ltd authorised for issue in accordance with a resolution of the directors on 24 February 2015

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

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

The half-year financial report should be read in conjunction with the Annual Financial Report of BPH Energy Ltd as at 30 June 2014.

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

It is also recommended that the half-year financial report be considered together with any public announcements made by BPH Energy Ltd and its controlled entities during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and the ASX Listing Rules.

(a) Basis of Preparation

Reporting Basis and Conventions

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

(b) Significant Accounting Policies

The half-year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2014, except for the impact of the standards and interpretations below in note 2(c). The accounting policies are consistent with Australian Accounting Standards and with International Reporting Standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Position

The consolidated entity has incurred a net loss before tax for the period ended 31 December 2014 of \$17,753,104 (2013: \$486,381) and has a working capital deficit of \$1,513,775 (2013:\$1,177,793) as at that date.

Included in other payables are amounts payable to the directors of the company of \$905,890 (30 June 2014: \$806,902). The directors have reviewed their expenditure and commitments for the consolidated entity and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their director's fees to conserve cash resources for a period of at least 12 months from the date of the approval of the financial report. The group has current financial liabilities of \$689,460. Subsequent to year end the Group has received confirmation from the lender that the current financial liabilities of \$589,460 (2013: \$531,314) will not be called for repayment for a period of 12 months from the date of this financial report or until such time as the Group is financially independent.

On the 14 November 2014 the group entered into a convertible loan agreement with a maximum facility of \$200,000. On the 24th December 2014 the group drew down \$100,000 under their convertible loan agreement facility. A further \$100,000 can be drawn down under this convertible loan agreement.

On 10 February 2015 BPH Energy announced that it would undertake a Shareholder Purchase Plan (SPP). Proceeds raised through the Plan will principally be used to contribute to the continuing exploration, development and commercialisation of investee company assets, including the commercialisation of Cortical Dynamics' BAR Monitor and the planned seismic activities of Advent Energy. Proceeds will also be used for working capital and to meet the Company's anticipated expenses of the issue estimated at \$20,000.

Under the SPP, eligible shareholders can purchase shares at a 20% discount to the average market price of the Company's shares on the ASX calculated over the five trading days prior to and including the Record Date.

The offer is limited to a minimum of \$500 and a maximum of \$15,000 worth of shares per shareholder. The offer is strictly limited to a maximum of 30% of the existing share capital and applications will be accepted on a first received basis.

The directors have prepared cash flow forecasts that indicate that the consolidated entity will have sufficient cash flows via debt and equity funding for a period of at least 12 months from the date of this report.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) New standards

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

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

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

- AASB 1031 'Materiality' (2013)
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
- Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
- Part C: 'Materiality'

Impact of the application of AASB 1031 'Materiality' (2013)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'

The Group has applied the amendments to AASB 10, AASB 12 and AASB 127 for the first time in the current year. The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to AASB 12 and AASB 127 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in AASB 10 as at 1 January 2014), the application of the amendments does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of the application of AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

The Group has applied the amendments to AASB 132 for the first time in the current year. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments does not have any material impact on the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'

The Group has applied the amendments to AASB 136 for the first time in the current year. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.

The application of these amendments does not have any material impact on the disclosures in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, at the same time it makes various editorial corrections to Australian Accounting Standards as well. The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2014-1 'Amendments to Australian Accounting Standards'

Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycle'

The Annual Improvements 2010-2012 Cycle include a number of amendments to various AASBs, which are summarised below.

The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The 'Annual Improvements 2011-2013 Cycle' include a number of amendments to various AASBs, which are summarised below.

The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.

The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of AASB 140; and
- (b) the transaction meets the definition of a business combination under AASB 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Part C – 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031, which historically has been referenced in each Australian Accounting Standard.

The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Note that AASB 14 'Regulatory Deferral Accounts' and AASB 2014-1 'Amendments to Australian Accounting Standards – Part D: 'Consequential Amendments arising from AASB 14' is not applicable to the Group as the Group is not a first-time adopter of Australian Accounting Standards.

3. OPERATING INFORMATION

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

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

4. REVENUE, INCOME AND EXPENSES

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Revenue		
Interest revenue : other entities	145,567	65,875
Total revenue	145,567	65,875

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
For the purpose of the half-year condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand from continuing operations	113,584	181,111
	113,584	181,111

Notes to the Financial Statements for the period ended 31 December 2014

BPH Energy Ltd and its controlled entities

6. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2014 \$	30 June 2014 \$
172,562,245 (June 2014: 172,562,245) fully paid ordinary shares	41,511,195	41,511,195

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

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

Capital Raising

During the period nil options were exercised (June 2014: nil options were exercised).

Fully Paid Ordinary Share Capital

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

7. COMMITMENTS AND CONTINGENT LIABILITIES

There has been no material changes to commitments and contingencies since 30 June 2014 except as disclosed in note 8.

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	31 December 2014 \$	30 June 2014 \$
Advent Energy Ltd	30,486,610	48,028,838
Molecular Discovery Systems Ltd	579,157	611,869
	31,065,767	48,640,707
Opening Balance of Investment in Advent Energy Limited on 1 July 2014		48,028,838
Share of Associates Losses for the period		(517,421)
Impairment loss recognised for investment in Advent Energy Limited		(17,024,807)
Balance at 31 December 2014		30,486,610

The impairment loss has been recorded in the statement of profit and loss. In 2011 the Group, made a fair value adjustment of \$21,450,000 (\$15,015,000 net of tax) to the investment in Advent Energy Limited, as a result of the move from an available for sale to equity accounting. Under Australian Accounting Standards, the impairment loss cannot be recognised against the reserve and must be recognised in the profit and loss. Following the decline of the price of oil and oil equivalents during the period the fair value of Advent, in line with other companies decreased in the 6 months to 31 December 2014. As a result management recorded an impairment loss of \$17,024,807. Under the Australian Accounting Standards the loss cannot be written off against the reserve and hence has been recognised in statement of profit and loss.

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)**(a) Shares in associates**

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

Name of Entity	Country of Incorporation	Ownership Interest %	
		December 2014	June 2014
Molecular Discovery Systems	Australia	20%	20%
Advent Energy Ltd	Australia	27.4%	27.4%

The consolidated group's associate, Advent Energy Ltd, has commitments for its exploration permits of \$4,313,500 over the next 12 months under the terms of its application licence in order to maintain tenure. To assist in meeting these commitments Advent is continually seeking and reviewing potential sources of both equity and debt funding. Advent is currently in negotiations with a number of parties on the terms of investment, however there is no certainty at this stage that those discussions will result in further funding being made available. Advent Energy's subsidiary Asset Energy is currently required to complete 200km of 2D seismic within the PEP 11 area by 12 August 2015. In addition, Advent Energy's subsidiary Onshore Energy is committed to drill an exploration well by 31 March 2015 for EP 386. Onshore Energy has lodged an application with the Department of Mines and Petroleum to suspend the year 2 work commitment for EP 386.

These 2 commitments comprise the significant balance of \$4,313,500.

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

Notes to the Financial Statements for the period ended 31 December 2014

BPH Energy Ltd and its controlled entities

9. FINANCIAL ASSETS

	Consolidated	
	31 December 2014 \$	30 June 2014 \$
Current		
Unsecured Loans to other entities: (b)	-	55,645
Grandbridge Ltd		
MEC Resources Limited and Advent Energy Limited	44,092	41,980
	<u>44,092</u>	<u>97,625</u>
Non-current		
Loans and receivables at amortised cost		
Unsecured loan to Grandbridge Ltd	55,645	-
Unsecured loan to Cortical Dynamics Limited(b)	485,070	485,070
Molecular Discovery Systems Limited	575,200	575,200
Secured loans to other entities: (c)		
Cortical Dynamics Limited	1,527,661	1,469,827
Molecular Discovery Systems Limited	453,389	416,099
Available for sale financial assets (a)	<u>48,949</u>	<u>48,949</u>
	<u>3,145,914</u>	<u>2,995,145</u>

Fair Value of Financial Assets

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

The levels of the hierarchy are as follows:

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

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

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

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

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

Unlisted investments, at fair value

- Shares in other corporations

Total available for sale financial assets

48,949	48,949
<u>48,949</u>	<u>48,949</u>

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

9. FINANCIAL ASSETS (CONTINUED)

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

The company has entered into a convertible loan agreement with Cortical Dynamics. The loan is for a maximum amount of \$500,000 and is to be used for short term working capital requirements. Subject to Cortical being admitted to the Official list BPH Energy has a right of conversion to satisfy the debt on or before the termination date of 19 November 2015. As at reporting date the loan had been drawn down by an amount of \$483,146 (June 2014: \$464,561).

The company has entered into a convertible loan agreement with Molecular Discovery Systems. The loan is for a maximum amount of \$500,000 and is to be used for short term working capital requirements. Subject to Molecular Discovery Systems being admitted to the Official list BPH Energy has a right of conversion to satisfy the debt on or before the termination date of 26 November 2015. As at reporting date the loan had been drawn down by an amount of \$453,389 (June 2014: \$416,099).

On 28th February 2012 BPH Energy entered into an additional convertible loan agreement with Cortical Dynamics. The facility is for a maximum amount of \$1M and has an annual interest rate of 9.40%. The will be used for short term working capital requirements and funding further development of the BAR monitor. The facility would have terminated on the earlier of 24 months from the execution date and any date on which the facility is terminated in accordance with the agreement. The loan is convertible at BPH's election if Cortical is unsuccessful in its application for admission to the Official List. The terms of the facility were extended by 12 months, changing the termination date to 28 February 2016. As at reporting date the loan had been drawn down by an amount of \$1,044,515 (June 2014: \$1,005,266).

10. EVENTS SUBSEQUENT TO REPORTING DATE

On 10 February 2015 BPH Energy announced that it would undertake a Shareholder Purchase Plan (SPP). Proceeds raised through the Plan will principally be used to contribute to the continuing exploration, development and commercialisation of investee company assets, including the commercialisation of Cortical Dynamics' BAR Monitor and the planned seismic activities of Advent Energy. Proceeds will also be used for working capital and to meet the Company's anticipated expenses of the issue estimated at \$20,000.

Under the SPP, eligible shareholders can purchase shares at a 20% discount to the average market price of the Company's shares on the ASX calculated over the five trading days prior to and including the Record Date.

The offer is limited to a minimum of \$500 and a maximum of \$15,000 worth of shares per shareholder. The offer is strictly limited to a maximum of 30% of the existing share capital and applications will be accepted on a first received basis.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BPH Energy Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BPH Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

We draw attention to Note 8 to the financial statements Investments in Associates which describes the material uncertainty around the basis of recognising the carrying value of an investment in an associate. Our review conclusion is not modified in respect of this matter

A handwritten signature in blue ink that reads "NPAS".

Nexia Perth Audit Services Pty Ltd

A handwritten signature in blue ink that reads "Amar Nathwani".

Amar Nathwani

Director

Perth 24 February 2015