bphenergy

health ▪ technology ▪ resources

2011
annual report

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Company Information

Directors

David Breeze – Chairman/Managing Director

Greg Gilbert – Non-Executive Director

Hock Goh – Non Executive Director

Deborah Ambrosini – Director and Company Secretary

Scientific Advisors

Professor Peter Klinken

Dr Robin Scaife

Associate Professor David Liley

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Western Australia 6006

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Auditor

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Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway, Applecross
Western Australia 6153

Australian Securities Exchange Listing

Australian Securities Exchange Limited

(Home Exchange: Perth, Western Australia)
ASX Code: BPH

Australian Business Number

41 095 912 002

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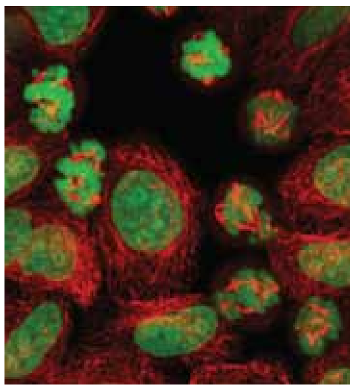

Chairman's Letter

Dear Shareholder,

The past year has seen BPH Energy make notable developments with its biotechnology assets and significantly increase its investment in oil and gas explorer Advent Energy Ltd.

Following shareholder, ASX and regulatory approval, BPH Energy acquired a further 8% in the share capital of unlisted energy explorer Advent Energy to increase its holding to 27.4%.

Advent Energy achieved its objective of increasing its interest to 85% of Petroleum Exploration Permit PEP11 – a substantial exploration permit prospective for natural gas located in the Offshore Sydney Basin. Under the terms of Advent's farmin to PEP11 with its joint venture partner Bounty Oil and Gas NL (Bounty), Advent (through wholly owned subsidiary Asset Energy Pty Ltd) increased its interest in PEP11 from 25% to 85% by sole funding the drilling of an exploration well within the permit. Bounty thereby reduced its interest in PEP11 to 15%.

This was achieved following the drilling of Advent's maiden offshore exploration well. New Seaclem-1 spudded in December 2010 and concluded in January 2011. Although no hydrocarbons were encountered operations were conducted incident free and on schedule. The joint venture partners have committed to continuing active exploration of this vast petroleum asset, with the future plans including further seismic and exploration drilling.

Dr Robin Scaife, Principal Scientist

During the period, Molecular Discovery Systems Ltd (MDSystems) Principal Researcher Dr Robin Scaife identified potentially new anti-mitotic microtubule candidate compounds through the screening process at MDSystems. These early stage candidates have been demonstrated to target cancer cell proliferation specifically through mitotic inhibition.

Cortical Dynamics continued to further develop its Brain Anaesthesia Monitoring (BAR) device with six complete BAR monitors being produced during the year. End to end trials using the hypnotic agent Benzodiazepine Alprazolam were completed. The study demonstrated that the major components of the BAR system were capable of robustly replicating the well known pharmaco-EEG phenomena of benzodiazepine agents, the benzodiazepine-induced "beta buzz".

In most recent developments, Cortical Dynamics commenced its initial public offering (IPO) and has applied for admission to the Official List of the Australian Securities Exchange.

We thank you for your support and look forward to another exciting year in 2012.

Yours Sincerely,

D. Breeze.

Mr David Breeze
Chairman

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Company Focus and Developments

BPH Energy Limited (BPH)

BPH Energy Limited [ASX: BPH] is an Australian Securities Exchange listed company with interests spanning the biotechnology and resources industries. BPH engages in the development and commercialisation of biomedical research and technologies within Australian Universities and hospital institutes, and holds an interest in natural gas explorer, Advent Energy Ltd ("Advent").

BPH provides early stage funding, project management and commercialisation strategies for a direct collaboration, a spin out company or to secure a licence. The company also provides commercial strategies for proof of concept, research and product development. BPH has invested into a wide portfolio of biotechnology projects Australia-wide.

BPH partners with several academic institutions including Western Australian Institute for Medical Research (WAIMR), Swinburne University of Technology (SUT) and The Royal Melbourne Institute for Technology (RMIT) University.

BPH holds a passive investment of 27.4% of unlisted Australian natural gas exploration company Advent.

ADVENT ENERGY

ADVENT ENERGY LIMITED

PEP11 Oil and Gas Permit

Advent achieved the objective of increasing its interest to 85% of Petroleum Exploration Permit PEP11 – an exploration permit prospective for natural gas located in the Offshore Sydney Basin. This was achieved following the drilling of Advent's maiden offshore exploration well. New Seaclem-1 spudded in December 2010 and was concluded in January 2011. Operations were conducted incident free and on schedule. Under the terms of Advent's farmin to PEP11 with joint venture partner Bounty Oil and Gas NL (Bounty), Advent (through wholly owned subsidiary Asset Energy Pty Ltd) increased its interest in PEP11 from 25% to 85% by sole funding the drilling of an exploration well within the permit. Bounty thereby reduced its interest in PEP11 to 15%.

Covered by PEP11, a 200km long, 8,250km^2 permit, the Offshore Sydney Basin is a significant exploration area with large scale structuring and potentially multi-Trillion cubic feet (Tcf) gas charged Permo-Triassic reservoirs.

The prospectivity of this proven petroleum basin has been enhanced by the confirmation of the presence of apparent ongoing hydrocarbon seeps. Sub-bottom profile data, swath bathymetry, seismic and echosounder data collected by Geoscience Australia along the continental slope / permit margin has demonstrated active erosional features in conjunction with geophysical indications of gas escape.

Advent has previously interpreted significant seismically indicated gas features. Key indicators of hydrocarbon accumulation features have been interpreted following review of the 2004 seismic data, reprocessed in 2010. The seismic features include apparent Hydrocarbon Related Diagenetic Zones (HRDZ), Amplitude Versus Offset (AVO) anomalies and potential flat spots.

Mapped prospects and leads within the Offshore Sydney Basin are generally located less than 50km from Australia's largest energy market, the Sydney-Wollongong-Newcastle greater metropolitan area. This area has a population of approximately 5,000,000 people. Traditionally, all natural gas used in New South Wales has been piped in from South Australia and the Bass Strait. However, studies by the Australian Bureau of Agricultural and Resource Economics (ABARE) and the Australian Petroleum Production and Exploration Association (APPEA) state that those sources may not be able to meet the demand for gas in the medium to longer term.

Although there have been over a thousand wells drilled in offshore Australia, Advent was the first ever company to conduct a petroleum exploration drilling exercise in the Offshore Sydney Basin. The New Seaclem-1 well concluded in January 2011. The well obtained a significant volume of valuable and new information about the offshore Sydney Basin – a previously unexplored area off NSW. Hydrocarbons were not recorded. Included in these discoveries was the identification of reservoir rocks consisting of high porosity tertiary sandstones. One such sandstone was interpreted to comprise 40 metres thickness with an average porosity of 30%, with considerable thickening updip potential for future exploration.

Other interpretations derived from the drilling of New Seaclem-1 included sedimentary age dating and hydrocarbon maturity through palynological studies. Results of these studies demonstrated that the sediments were of Early Permian age below the Unconformity separating these sediments and the Cainozoic seabed sediments. These sediments likely correspond with the Branxton Formation. In addition, these Early Permian sediments have been demonstrated to be mature for hydrocarbons.

Advent has demonstrated considerable gas generation and migration elsewhere within PEP11, with the previously observed mapped prospects and leads remaining highly prospective for gas.

Advent and its Joint Venture (JV) partner are discussing the future exploration programme in PEP11 with the excellent foundation of information obtained from New Seaclem-1. The JV is well positioned for future drilling having completed pre-drilling site surveys over four locations in June 2010. These are likely to be enhanced by 3D seismic acquisition prior to further exploration drilling. Details of future works will be advised in due course.

Northern Territory/Western Australia – Onshore Bonaparte Basin

Advent holds 100% of each of EP386 and RL1 in the onshore Bonaparte Basin in northern Australia. The Bonaparte Basin is a hydrocarbon-bearing sedimentary basin straddling the border between the Northern Territory (NT) and Western Australia (WA). Most of the basin is located offshore, covering 250,000 square kilometres, compared to just over 20,000 square kilometres onshore.

In April 2011, Advent successfully renewed EP386 for a further 5 year term.

Advent holds Exploration Permit EP386 (2,568 square kilometres in area) which covers the Western Australian section of the onshore Bonaparte Basin. Since 1960 twelve wells have been drilled in or near EP386 and only sixteen in the whole of the onshore basin. Six exploration wells are classified as gas discoveries. The tenements contain five gas fields which could be advanced to commercial status with

Company Focus and Developments

Northern Territory/Western Australia – Onshore Bonaparte Basin (continued)

additional work, in particular the Garimala Gas Field which may have an areal extent of more than $10km^2$ and could trap more than 25 Bcf OGIP. The main exploration target has been sandstone within a late Devonian-early Carboniferous sequence. This thick marine shale dominated sequence is interpreted to be the main source rock sequence for the greater Bonaparte Basin, including the offshore portion where gas resources have been identified.

Three gas discoveries have been made along the western edge of the basin, in an area characterised by a structural-stratigraphic trapping and active migration known as the Waggon Creek Embayment. In EP386 the three main discoveries made so far, Vienta, Waggon Creek and Bonaparte, contain possible recoverable gas resources of 8 Bcf, 12 Bcf and 4 Bcf, respectively.

Waggon Creek-1, drilled in 1995, and Vienta-1, drilled in 1998, provided strong evidence of significant sweet gas-charged stratigraphic traps with fair to good quality sandstone reservoris within the upper Milligans Formation. Preliminary reviews have indicated that:

- potential gas resources could be significantly higher than previously estimated;
- severe formation damages due to fines migration may have masked the true gas flow rate potential;
- true flow rate could be significantly higher than the calculated undamaged reservoir flow rates as experienced in similarly damaged reservoirs elsewhere in Australia and internationally; and
- there is strong evidence from the pressure data that there is considerable upside potential in the area if formation damage can be avoided.

Previous logging of Waggon Creek-1 indicated that it contains 28.5m of gross hydrocarbon bearing sandstone with an average log porosity of 22%. Drill stem testing demonstrated flow rates of over 1.3 million standard cubic feet of natural gas per day, including the recovery of oil of 31° API.

Drilling of Vienta-1 in 1998 demonstrated numerous gas shows within Enga Sandstone units, with dry gas flowed to surface and visual porosity described in the cuttings. A gas show was encountered whilst drilling in Enga shales, resulting in the well being shut in after taking a significant kick (spike in pressure). The well was flowing and gas was flared while circulating out the kick. The early onset of the wet season resulted in early termination of the programme before the Vienta-1 well could be tested.

Both Waggon Creek-1 and Vienta-1 were cased and suspended for future production.

Advent has been preparing to perform workover and production tests on Waggon Creek-1 and Vienta-1 this dry season. The exceptional late wet season experienced around March 2011 hampered early efforts to access the sites, though Advent is on track for these activities to be achieved this dry season.

In the NT, Advent holds Retention Licence RL1 (166 square kilometres in area), which covers the Weaber Gas Field which was originally discovered in 1985.

During the year, Advent undertook a review of all available well data from the Weaber wells, reprocessed all available seismic data covering the Weaber Gas Field and re-mapped the field. An independent resource audit was completed by respected petroleum industry consulting firm RISC Pty Ltd.

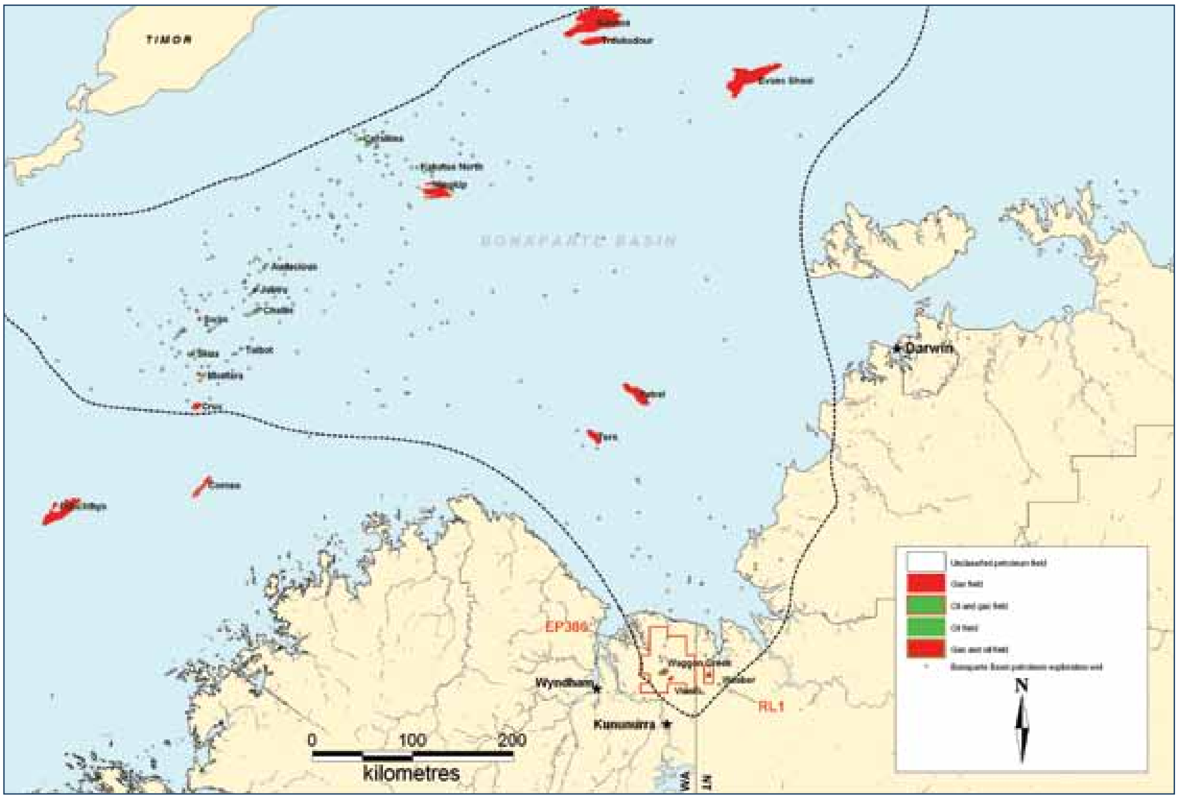
Advent has advised that the 2C Contingent Resources* for the Weaber Gas Field in RL1 are 11.5 billion cubic feet (Bcf) of natural gas following an independent audit by RISC. Significant upside 3C Contingent Resources of 45.8 Bcf have also been assessed by RISC.

The results are summarised below:

Weaber Field	1C	2C	3C	Mean[1]
Gas Initially In Place (Bcf)	0.33	13.9	54.1	21.9
Contingent Resources (Bcf)	0.25	11.5	45.8	18.4

[1] The mean is the average of the probabilistic resource distribution.

* Contingent Resources, as defined under the Society of Petroleum Engineers Petroleum Resource Management System (SPE PRMS) guidelines.



Achieving the resources upgrade has been a major milestone for Advent, and is one of the first steps in unlocking substantial value as Advent moves forward to commercialise its onshore Bonaparte Basin assets.

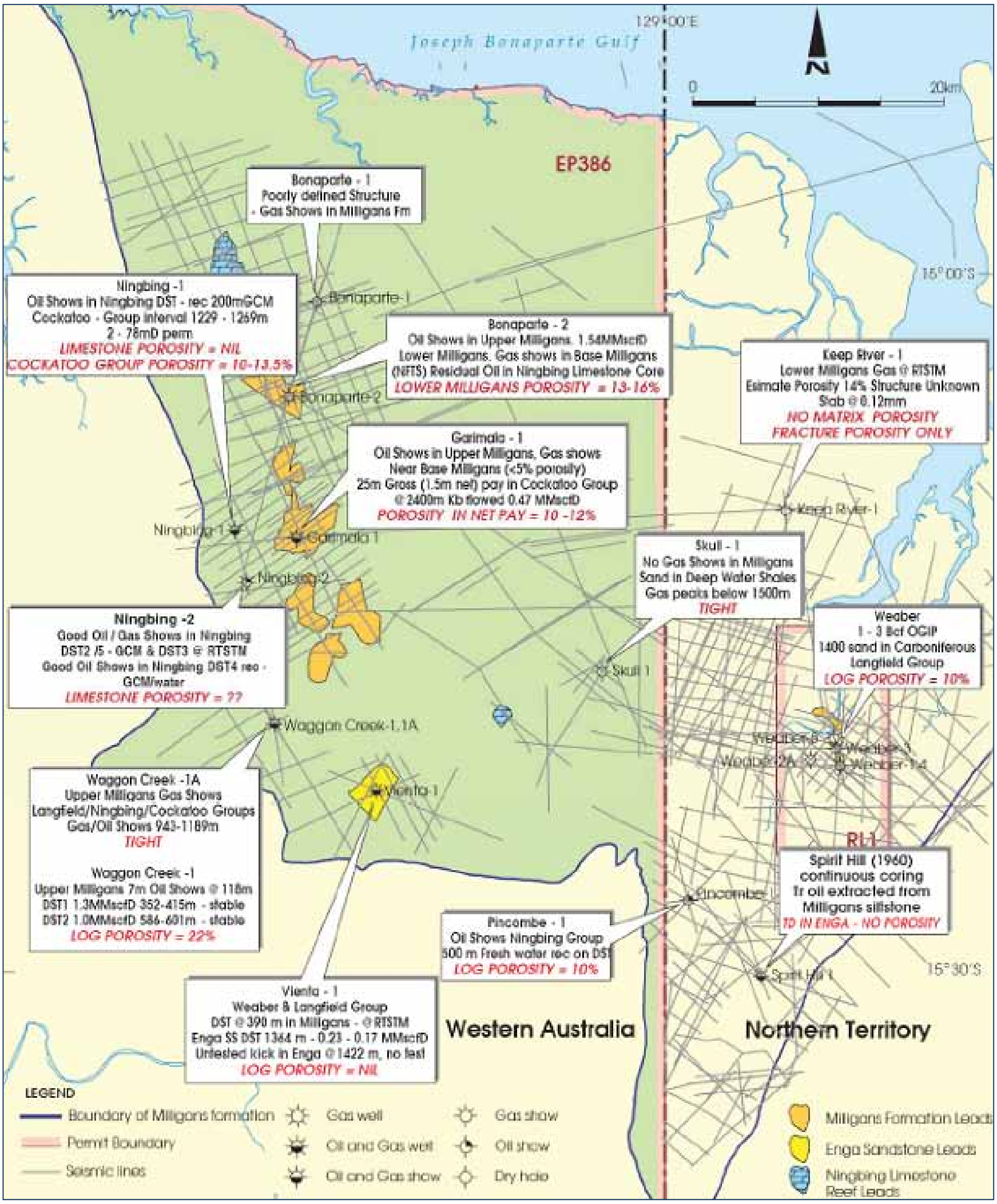
The current rapid development of the Kununurra region in northern Western Australia, including the Ord River Irrigation Area phase 2, the township of Kununurra, and numerous regional resource projects provides an exceptional opportunity for Advent to potentially develop its nearby gas resources.

Advent believes the Ord Expansion project will impact positively on EP386.

The Department of State Development (WA) has described the Ord-East Kimberley Expansion Project as a nation building project to create stronger, sustainable regional communities in the East Kimberley. The $415 million investment includes:

$195 million from the Commonwealth Government for the East Kimberley Development Package, and $220 million from the WA Government for the Ord Irrigation Expansion Project.

Company Focus and Developments



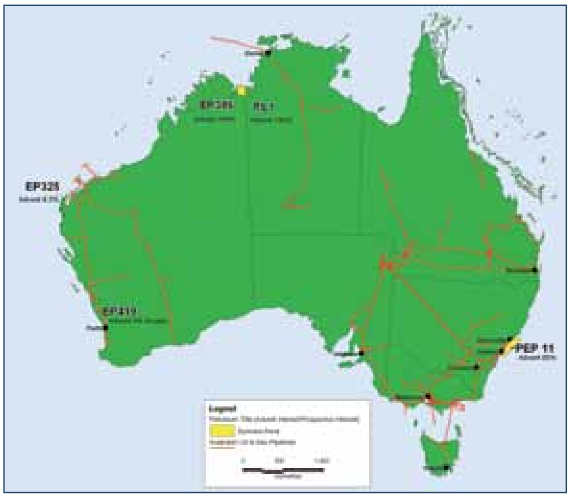
The initial phase of works is currently underway north of Kununurra and adjacent to Advent's EP386 permit. The current Ord expansion project will bring road infrastructure to within 15 kilometres of Advent's Vienta-1 gas well in EP386 and will allow for the development of Advent's onshore Bonaparte Basin gas assets. The construction of all-weather sealed roads within the Ord phase two project provides for suitable infrastructure developments to support a commercial development of the field.

These important investments by the Commonwealth and WA governments provide the impetus for Advent to pursue its objective of developing its wholly owned petroleum resources within EP386 and RL1. Significantly, these investments will impact markedly on the energy requirements of the Kununurra region which is currently supplied by hydroelectricity from the Lake Argyle hydroelectric facility and diesel power generation.

Advent is in an exceptional position where it remains the operator and 100% owner of the only petroleum permits in the vicinity of this region.

Western Australia – Exmouth Sub-Basin (EP325)

Advent has an 8.3% interest (Permit Operator: Strike Energy Ltd) in a shallow, near shore permit in the Exmouth sub-Basin region of the Carnarvon Basin, which contains the undeveloped Rivoli Gas Field. The Rivoli Gas Field contains approximately 6.8 – 18 PJ of gas. The permit also contains the Rivoli Deep prospect and other leads. The Joint Venture is in ongoing discussions with The Department of Defence and Exmouth Power regarding potential gas supply.



Central Australia – Amadeus, Pedirka, Basins

Advent holds a large shareholding in Australian onshore hydrocarbon explorer Central Petroleum Ltd (ASX: CTP). Central Petroleum is actively exploring in its exploration tenements that cover approximately 270,000km^2 of central Australia.

Advent has reserved its right to claim damages from Central Petroleum Ltd and its subsidiaries following repudiatory breach of contract regarding farmin by Advent to Central's permits.

Company Focus and Developments

BIOTECHNOLOGY Portfolio

Molecular Discovery Systems

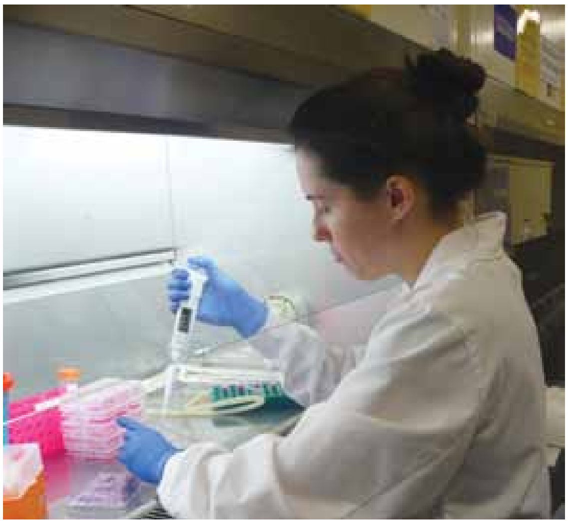
Novel Anti-Microtubule Cancer Therapeutics

A team of expert cancer cell biology researchers at Molecular Discovery Systems (MDSystems) Limited have used state-of-the-art technology to screen synthetic molecules and natural extracts for new anti-cancer drugs. Using high-content imaging and computational analyses, these drug screening efforts have now yielded several new compounds that potentially inhibit cancer cell proliferation.

One of these new anti-proliferative compounds, discovered by MDSystems cancer cell biology researcher Dr Robin Scaife, has undergone considerable development toward pre-clinical testing of anti-cancer activity. Detailed analyses of chemical analogues of the new drug have yielded a new compound that exhibits nearly 1000 times the biological activity of the initial entity derived by the primary screening process.

The new compound has undergone extensive in-vitro testing and has been shown to have substantial tumour inhibitory activity in preliminary animal testing. This compound is currently being optimised through successive rounds of medicinal chemistry. MDSystems will continue to focus on this novel anti-microtubule drug in preparation for pre-clinical studies.

The inhibition of cell proliferation and induction of cancer cell death is due to the anti-mitotic activity of these new drugs. Anti-mitotic drugs, such as the blockbuster microtubule cancer drug Taxol®, have long been considered to be among the most



clinically important cancer drugs discovered to date[1], generating revenue well in excess of one billion USD/yr[2],[3]. More recently, it has been recognised that some of these microtubule drugs also selectively target the tumour vasculature. Since targeting of the tumour vasculature causes rapid tumour shrinkage, a number of new microtubule drugs have been developed in recent years by a range of pharmaceutical companies. In light of encouraging initial clinical results, these new microtubule drugs are currently undergoing extensive testing for anti-cancer activity in humans[4]. The microtubule perturbing compounds recently discovered by researchers at MDSystems clearly show the potential to join this class of highly-promising new anti-cancer drugs.

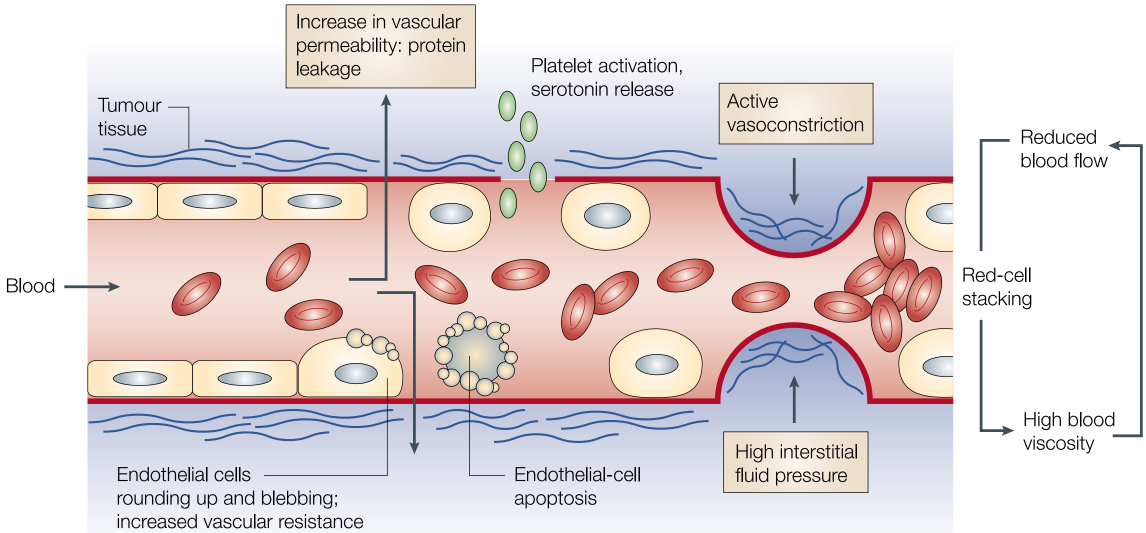
An exceptional opportunity exists for a drug development company to participate in this lead compound development program.

[1] "Taxol has become one of the most valuable cytotoxic chemotherapeutic agents we have in clinical oncology. It has proven effective in ovarian, breast, lung, and head and neck cancer and it has contributed immensely to the quality of life of cancer patients," (www.medicalnewstoday.com/articles/26471.php)

[2] "In 2000. BMS reported its annual sales of Taxol® was $1.592 billion - equal to excess $4.3 million per day" (www.21cecpharm.com/px)

[3] "A taxane is a type of chemotherapy that stops cell division in order to fight tumors. Sales of taxanes were approximately $2 billion in 2007," (www.wikinvest.com/stock/Abraxis_BioScience_(ABII)

[4] Read more at Suite101: New Cancer Treatment in FDA Trials, Vascular Disrupting Agents http://www.suite101.com/content/new-cancer-treatment-in-fda-trials-vascular-disrupting-agents-a279581#ixzz103Z5L4J1



Proposed mechanisms for rapid tumour vascular shutdown after treatment with CA-4-P or DMXAA.

Dr Robin Scaife has been awarded funding from the Scott Kirkbride Melanoma Research Centre (SKMRC) to spearhead a melanoma drug discovery programme. Although melanomas have a reputation for being particularly refractory to therapeutic intervention, some types of melanoma have recently been shown to respond well to a new class of customised cancer drugs. Dr Scaife and his collaborators at the Western Australian Institute of Medical Research (WAIMR) and the University of Western Australia will use the high-content imaging and analysis platform at MDSystems to screen an arsenal of recently synthesised drug-like molecules for inhibitors of melanoma cell survival and proliferation.

Drug Discovery and High-Content Screening Technology

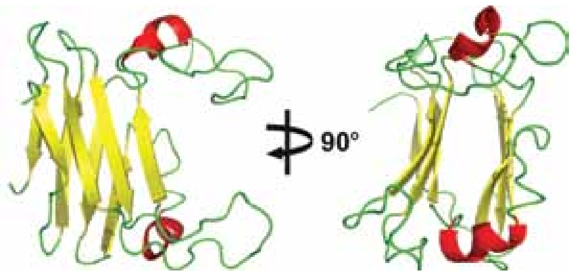
MDSystems has core expertise in high-content and high-throughput imaging and analysis, providing services for researchers worldwide. The MDSystems owned IN Cell Analyser 1000 (GE Healthcare) is a semi-automated cellular imaging and analysis platform that combines high-resolution imaging and high-content analysis to provide a technology that rapidly detects and quantifies cellular properties much faster than conventional methods. MDSystems has developed and applied a range of high-content analysis protocols to analyse diverse cellular processes such as cell proliferation, cell cycle progression, apoptosis, cytoskeletal changes and dynamics of intracellular organelles.

A recently synthesized collection of novel drug-like molecules is available at MDSystems for High-Content Screening (HCS). High-throughput screening (HTS) of chemical libraries is widely regarded as the most efficient and cost effective approach to finding hits in early drug discovery. In light of the success of HTS in drug discovery, this technology has recently been developed to include high-content imaging and analysis. By providing access to pathways and phenotypic screening, HCS permits identification of modulators of a multitude of intractable molecular and cellular targets.

The screening compounds at MDSystems are based on novel and relatively complex chemical scaffolds that have been designed to have desirable pharmaceutical properties. By permitting analysis of complex cellular properties, the IN Cell Analyser 1000 at MDSystems is ideally suited for screening of these chemical resources for new pharmaceutical leads.

MDSystems is currently utilising the IN Cell Analyser 1000 for in-house screening of new lead molecules for drug development. In addition to the in-house drug discovery efforts, MDSystems is actively seeking high-content screening contracts.

Company Focus and Developments



HLS5 Technology

MDSystems is working with Professor Peter Klinken and his team at the Western Australian Institute for Medical Research (WAIMR) to develop and validate HLS5 as a novel tumour suppressor gene. A concerted research effort by leading Australian scientists has revealed that HLS5 works through multiple pathways that may target cancer as well as a range of other diseases such as Huntington's, Parkinson's and HIV infection.

The team at WAIMR have uncovered a role for HLS5 in leukaemia and breast cancer, and during that process they also noticed that the gene interacts with a number of key proteins involved in one of the known growth pathways associated with melanoma. They have been able to demonstrate that HLS5 associates with proteins that are able to regulate the growth and migration of melanoma cells.

The HLS5 team were awarded a grant from the National Health and Medical Research Council (NHMRC). The grant entitled 'Characterisation of haemopoietic lineage determining genes', will provide funding until 2012. The research conducted under this grant will continue to look at the role of HLS5 in blood cell development, leukaemia and cancer.

Of particular significance were the findings of an independent study published in Hepatology[1], which concluded that reduced HLS5 levels were shown to correlate with worse tumour grade, increased tumour size and elevated serum AFP levels, a marker of liver cancer. The results of this study indicate that the loss of HLS5 expression is a critical event in the development and progression of liver cancer. This independent study greatly supports the research by MDSystems and WAIMR on the HLS5 tumour suppressor gene.

MDSystems has exclusive rights to the tumour suppressor gene HLS5 both as a potential therapeutic target and also underpinning its involvement in a variety of disease pathways. The patent portfolio surrounding HLS5 is currently going through the various stages of the patent application process in Australia, Europe, Japan and the US. The patent "Tumour Suppressor Factor" has been issued as a patent in the United States of America and Australia.

Cortical Dynamics

BAR Technology

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

[1] Jia, D, Wei, L, Guo, W, Zha, R, Bao, M, Chen, Z, Ge, C, Zhao, F, Chen, T, Yao, M, Li, J, Wang, H, Gu, J & He, X 2011, Genome-wide copy number analyses identified novel cancer genes in hepatocellular carcinoma, Hepatology, (Accessed at http://onlinelibrary.wiley.com/doi/10.1002/hep.24495/abstract)

The theory was developed by Associate Professor David Liley who heads the scientific team at Cortical Dynamics, and, for the first time, provides a meaningful way of relating brain electrical activity to the underlying physiological processes that generate it. Cortical Dynamics is confident that the resulting Brain Anaesthesia Response (BAR) analysis methodology and index will be a more sensitive measure of the state of the brain during anaesthesia than the current alternatives. Alternative technologies are based on detecting empirical correlations between subjective assessments of the level of consciousness and a range of parameters derived from the quantitative analysis of EEG. This brain activity monitor also has potential in neuro-diagnostic applications, including the detection of the early onset of neurodegenerative diseases such as Alzheimer's and Parkinson's, and in drug monitoring associated with these conditions.

Cortical Dynamics core technology can be used to monitor a number of clinical processes. The BAR monitor has been developed by Cortical Dynamics to detect the effect of anaesthetic agents on brain activity and assist anaesthetists in keeping patients optimally anaesthetised. The research funded through the NHMRC Development Grant has enabled substantial improvements in the performance of the BAR monitor. In particular, it has resulted in the development of a modified sensor layout having improved performance and sensitivity, as well as an upgrade of the data acquisition module to enable a greater resilience to the effects of noise and artefact in a range of clinical monitoring situations.

The Cortical Dynamics team have completed two clinical trials at The Royal Melbourne Hospital. The first trial was designed to test the sensitivity of a new method in quantifying the effect various levels of nitrous oxide have on measures of anaesthetic depth. The results were published in the peer reviewed international journal Computers in Biology and Medicine. The second trial was designed to evaluate the sensitivity of the BAR methodology to opioids and other intravenous anaesthetic drugs. These trials have provided evidence that the BAR algorithm is more sensitive than competitive monitors in detecting the effects of anaesthetics on brain activity.

Cortical Dynamics has analysed a comprehensive data set obtained from leading European collaborators. The analysis of this European data set using the BAR methodology unambiguously indicated that the effects of remifentanil (a powerful synthetic opioid) and propofol (a widely used intravenous general anaesthetic agent) on brain electrical activity can be differentiated. These results suggest that analgesia and anaesthesia may be monitored independently using the EEG. The results of this analysis have been presented at the Australian and New Zealand College of Anaesthetists (ANZCA), and also published in the prestigious journal Anesthesiology in 2010.

Recently, Cortical Dynamics completed a study of the major components of the Brain Anaesthesia Response (BAR) monitoring system. The aim of the study was to verify the performance of the BAR system by evaluating the performance of all the signal gathering and analysing components with the BAR system. The trial examined the effects of the hypnotic agent Benzodiazepine Alprazolam on the EEG of ten healthy individuals. The study demonstrated that the major components of the BAR system were capable of robustly replicating the well documented EEG phenomena of benzodiazepine agents, the benzodiazepine-induced "beta-buzz". The replication of this well documented phenomenon indicates that the BAR hardware and software are functioning correctly. The study provides the necessary verification of the major components of the BAR system for it to be used in the planned clinical studies.

The next planned study will be to further validate the BAR monitoring system in an anticipated 20 person clinical trial, a progressive step in what has already been a methodical validation process.

The strategic focus for Cortical Dynamics is to validate the BAR systems measurement and monitoring of depth of anaesthesia and to complete development of market ready stand alone products and modules that integrate with market leading holistic patient monitoring systems. Cortical Dynamics will continue to explore collaborative arrangements such as those with the European researchers to facilitate development and commercialisation of the technology.

Company Focus and Developments

BAR Technology (continued)

As previously mentioned the BAR technology also has many other emerging applications, including neurodiagnostics pain response monitoring and neuropharmaceutical drug evaluation, which will be developed subsequent to the depth of anaesthesia monitoring system reaching the market.

Cortical Dynamics has 4 patent families currently going through the various stages of the patent application process in Australia, Europe, China, Japan, New Zealand and the US. Cortical Dynamics has an additional 5th patent application which has entered the PCT application pathway. "Method of monitoring brain function" has been issued as a patent in New Zealand (541615), Australia (2004206763), Japan (4693763) and the United States (10542549). Additionally, the patent "Brain Function Monitoring and Display System" has been issued in the People's Republic of China (101528121) and New Zealand (573460).

In most recent developments, Cortical Dynamics commenced its initial public offering (IPO) and has applied for admission to the Official List of the Australian Securities Exchange.

Diagnostic Array Systems

Diagnostic Array Systems (DAS) has created the BacTrak™ System which is a diagnostic test for the detection of respiratory infections (e.g. diagnosis of pneumonia, Tuberculosis (TB) and Legionella disease). The DAS system identifies the cause of disease by testing for multiple bacteria in a single sputum sample quickly, efficiently and more accurately than current techniques. The test has important implications for the clinical management of infectious diseases by identifying the specific bacteria responsible for a disease and suggesting the most effective therapy. Utilisation of the novel test is intended to provide more information, more quickly, than alternative methods. It has the potential to accelerate therapeutic treatment, lead to a reduction in hospitalisations and help reduce the overuse of antibiotics.

Amongst all infectious diseases, respiratory are the most common illnesses in the world. They are highly contagious and are easily spread. The disease causing bacteria can remain in the air where they can easily reach other individuals by inhalation. The number of patients suffering from respiratory infections is increasing, as is the number of deaths caused by these diseases. DAS has completed their research with in-house validation and have been in discussions with third parties to license the technology.

BPH has assisted with funding the development of BacTrak™ which includes a number of key features that underpin its commercial potential. These include:

- Rapid simultaneous detection of 16 respiratory pathogens including Tuberculosis (TB), Legionella, and Methycillin Resistant Staphylococcus Aureus (MRSA).
- Results within hours rather than days using the current culture gold standard.
- Sensitivity and positive confirmation for the 16 pathogens from easily obtained clinical sputum samples.

Direct benefits from the project development include:

- Earlier, pathogen specific treatment;
- Shorter length of hospital stay;
- Earlier potential isolation of hospital patients; and
- Reduction in the over-prescription of broad-spectrum antibiotics.

The core technology underlying this multiplexed screening is progressing through the various stages of the application process in Australia, Canada, China, Europe, Japan and the US.

Directors' Report

The directors of BPH Energy Ltd (formerly BPH Corporate Limited) ("BPH Energy") present their report on the company and its controlled entities for the financial year ended 30 June 2011.

Directors

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

D L Breeze

G Gilbert

H Goh

D Ambrosini

Company Secretary

Ms Deborah Ambrosini continues in her role of Company Secretary. She also holds the position of Financial Controller of the Company and has over 10 years experience in Corporate accounting roles.

Principal Activities

Exploration

Advent Energy Limited:

BPH Energy currently holds an interest of 27.4% in unlisted Australian exploration company Advent Energy Limited ("Advent").

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

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

A mean contingent Resource of 18.4 Bcf for the Weaber Gas Field (RL1) has recently been assessed, by an independent third party as a component of Advent's drive to commercialise its 100% owned onshore Bonaparte Basin assets. The current rapid development of the Kununurra region in northern Western Australia, including the Ord Irrigation Expansion Project and numerous resource projects, provides an exceptional opportunity for Advent to potentially develop its nearby gas resources for the benefit of the region along with Advent and its shareholders.

The Sydney Basin is a proven petroleum basin with excellent potential for the discovery of gas and oil. The demonstration of an active hydrocarbon system with seeps reported in the offshore area and sampling indicated the presence of thermogenic hydrocarbon gas; this is considered to occur in basins actively generating hydrocarbons and / or that contain excellent migration pathways. Drilling during the period has shown that the early Permian geological sequence is mature for hydrocarbons. Whilst no hydrocarbons were encountered at prognosed target horizons reservoir quality sandstones of considerable thickness were observed. Invaluable information was obtained from the drilling that will allow Advent to further assess the numerous prospects and leads within PEP11.

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

Biotechnology:

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

Directors' Report

Biotechnology (continued):

Molecular Discovery Systems Limited ('MDSystems')

Drug Discovery:

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

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

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

HLS5 Project:

MDSystems is working with the Western Australian Institute for Medical Research ('WAIMR') to develop and validate HLS5 as a novel tumour suppressor gene. A concerted research effort by leading Australian scientists has revealed that HLS5 works through multiple pathways that may target cancer as well as a range of other diseases such as Huntington's, Parkinson's and HIV infection.

MDSystems has developed an extensive patent portfolio and has exclusive rights to the tumour suppressor gene HLS5, both as a potential therapeutic target and also underpinning its involvement in a variety of disease pathways.

Cortical Dynamics Limited ('Cortical Dynamics'):

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

The Cortical Dynamics team lead by Associate Professor David Liley has analysed a comprehensive data set obtained from Europe using the Brain Anaesthesia Response ("BAR") methodology. The detailed results were published in the prestigious peer-reviewed international Journal of Anesthesiology, Liley et al, 2010, Propfol and Remifentanil Differentially Modulate Frontal Electroencephalographic Activity, 113:292-304. With the paper indicating the potential for the BAR methodology to separately monitor hypnotic and analgesic state. At present there is no known EEG monitor based depth of anaesthesia monitoring approach that is able to achieve this.

Associate Professor David Liley was a keynote speaker at the Memory and Awareness in Anesthesia Symposium (MAA8) in June 2011, Milwaukee. The symposium brings together clinical and research anaesthesiologists, cognitive and clinical psychologist, neuroscientists, nurses and other related fields from all over the world.

Cortical Dynamics has applied for admission to the Official List of the Australian Securities Exchange Limited.

Diagnostic Array Systems (DAS)

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

Operating Results

The consolidated loss of the economic entity after providing for income tax was $267,884 (2010 $234,457).

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

The major activities throughout the period were (a) BPH Energy invested $15.9M into unlisted oil and gas explorer, Advent Energy Limited. The investment gave BPH Energy 27.4% of Advent's share capital (b) Investee company Cortical Dynamics applied for admission to the Official List of the Australian Securities Exhange (c) Cortical Dynamics' Associate Professor David Liley was a keynote speaker at the Memory and Awareness in Anesthesia Symposium (MAA8) in June 2011. (d) Dr Robin Scaife was awarded funding from the Scott Kirkbride Melanoma Research Centre to conduct a Melanoma Drug Discovery program at the Western Australian Institute of Medical Research.

Financial Position

The net assets of the economic entity increased by $35,196,716 to $50,893,918 at 30 June 2011. This increase has largely resulted from the following factors:

- Cash balances increasing by $1,067,010 after successful capital raisings
- The Company increasing its investment in Advent to 27.4%
- Increase in the fair value of the Company's investment in Advent of $21,450,000, before income tax

Significant Changes in State of Affairs

During the year BPH Energy conducted a non renounceable entitlements issue. A total of 103,314,033 shares were issued with $8.237M raised.

On 7 September 2010 MEC Resources Ltd ("MEC") sold 3M shares in Advent to BPH Energy at 50c per share. MEC was issued 18.75M ordinary shares in BPH Energy as consideration for this sale.

On 3rd December 2010 BPH Energy closed the offer detailed in the prospectus released to investors in November 2010. The offer was to acquire shares in BPH Energy with an option at nil value for every 5 shares purchased exercisable at 20c on or before 8 December 2011. A total 50,951,205 ordinary shares and 10,190,241 options were issued after shareholder approval was obtained at the general meeting held that same day.

On the 3rd December 2010 shareholder approval was received to perform a consolidation of capital on a 1:2 basis.

On the 3rd December 2010 shareholder approval was received to change the name of the Group to BPH Energy.

On 16th December 2010 BPH Energy increased its holding in Advent Energy to 27.4%. BPH Energy subscribed for a 11.4M shares at an issue price of $1.25 under the Advent Bookbuild.

During the year MDS principal researcher Dr Robin Scaife was awarded funding from the Scott Kirkbride Melanoma Research Centre to conduct a Melanoma Drug Discovery program at the Western Australian Institute of Medical Research.

On 13th May 2011 BPH Energy entered into a sub-underwriting agreement with Grandbridge Securities Pty Ltd. Under the agreement BPH Energy is to partially underwrite the Cortical Dynamics IPO up to a maximum of $1.2M. Grandbridge Securities will receive a sub-underwriting fee of $60,000.

Directors' Report

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After Balance Date Events

On 27th July 2011 the Company entered into a loan variation agreement with Cortical Dynamics to defer payment of their unsecured loan with the Company for a period of 12 months.

On 5th August 2011 the Company extended its unsecured facility with Cortical by an additional 150k.

On 16 August 2011 the Company entered into a selective buyback agreement with MEC. BPH has agreed to buy back up to $1.35 million of MEC Resources' shareholding in the Company. The number of buy-back shares will be determined by dividing the total consideration by the 5-day volume weighted average closing price of shares prior to the date of the buy-back. The proposed buyback is subject to shareholder approval which is to be sought at an extraordinary general meeting of the BPH shareholders to be held on 15 September 2011.

On 19 August 2011 Advent Energy repaid an amount of $1.8M in full and final settlement of its obligations under the secured loan agreement entered into with the Company on 15 June 2010.

Environmental Issues

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

Future Developments

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

Information on Directors

D L Breeze – Age 57

Managing Director and Executive Chairman
Shares held – 6,509,811
Unlisted Options held – 1,000,000

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 Ltd.

David is a Corporate Finance Specialist with extensive experience in the stock broking industry and capital markets. He has been a corporate consultant to Daiwa Securities; was formerly Manager of Corporate Services for Eyres Reed McIntosh and the State Manager and Associate Director for the stock broking firm BNZ North's.

David has a Bachelor of Economics and a Masters of Business Administration, and is a Fellow of the Financial Services Institute of Australasia, and a Fellow of the Institute of Company Directors of Australia. He has published in the Journal of Securities Institute of Australia and has also acted as 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.

G Gilbert – Age 63

Non-Executive Director
Shares held – 480,769
Unlisted Options held – nil

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

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

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

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

H Goh – Age 56

Non-Executive Director
Shares held – 480,769
Unlisted Options held – nil

Hock was formerly President of Network and Infrastructure Solutions, a division of Schlumberger Limited, based in London with revenue in excess of US$1.5 billion. He had global responsibility of Schlumberger's outsourcing services, security, business continuity and networked related business units.

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

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

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

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

Hock is Chairman of ASX listed company MEC Resources Ltd.

D Ambrosini – Age 37

Executive Director
Shares held – nil
Unlisted Options held – 1,000,000

Deborah is a chartered accountant with over 11 years' experience in accounting and business development spanning the biotechnology, mining, IT communications and financial services sectors. She has extensive experience both nationally and internationally in financial and business planning, compliance and taxation.

Deborah is a member of the Institute of Chartered Accountants and was a state finalist in the 2009 Telstra Business Woman Awards. Deborah was also a recipient of the highly regarded 40 under 40 award held by the WA Business News.

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

Directors' Report

Remuneration Report

This report details the nature and amount of remuneration for each director of BPH Energy Limited, and for the executives receiving the highest remuneration.

D L Breeze – Executive Chairman

H Goh – Non-Executive Director

G Gilbert – Non-Executive Director

D Ambrosini – Executive Director and Company Secretary

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 board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

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

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

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

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

The executive directors and executives which receive salaries receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

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

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

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

Employment contracts of directors and senior executives

The employment conditions of the managing director, all of the executive directors and specified executives are formalised in contracts of employment. The directors are permanent employees of BPH Energy Limited. 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.

Details of Remuneration for the year ended 30 June 2011

The remuneration for each director and each of the executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

2011

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

2011 (continued)

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

Details of Remuneration for the year ended 30 June 2011 (continued)

2010

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash and fees	Bonus	Non-cash benefit	Other	Superannuation
D L Breeze	133,000	-	-	-	-
S K Yap	-	-	-	-	-
G Gilbert	25,000	-	-	-	-
H Goh	25,000	-	-	-	-
D Ambrosini	20,830	-	-	-	-

2010 (continued)

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related	Compensation Relating to Options
	Other	Equity	Options	$	%	%
D L Breeze	-	15,000	53,200	201,200	26.44	26.44
S K Yap	-	-	-	-	-	-
G Gilbert	-	-	-	25,000	-	-
H Goh	-	-	-	25,000	-	-
D Ambrosini	-	-	26,600	47,430	56.01	56.01

Shares have been issued to directors in lieu of cash payments, as approved by shareholders.

On 24 December 2009 Mr David Breeze was issued options in the company. A total of 2,000,000 options were issued having a fair value of $53,200. The options are exercisable at 45c on or before 31 December 2014. These options vested at grant date.

On 24 December 2009 Ms Deborah Ambrosini was issued options in the company. A total of 1,000,000 options were issued having a fair value of $26,600. The options are exercisable at 45c on or before 31 December 2014. These options vested at grant date.

Each option converts into one ordinary share of the company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Company performance, shareholder wealth and director and executive remuneration

The following table shows the gross revenue and the operating result for the last 5 years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows an increase in the revenue from the previous year with a decrease in the loss in the current year. The board is of the opinion that the increase in the share price is attributable to the recent diversification of the company's assets through the purchase of a $12.8M investment in unlisted oil and gas explorer Advent Energy Ltd.

	2007	2008	2009	2010	2011
Revenue and other income	578,436	1,103,422	162,940	339,253	604,748
Operating loss attributable to owners of the company before tax	(1,339,391)	(1,614,219)	(2,215,717)	(208,785)	(220,903)
Share price at Year end	$0.22	$0.046	$0.02	$0.068	$0.03

Share based payments:

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

Grant Date	Date of Expiry	Exercise Price	Vesting Date
20 December 2007	31 December 2010	$0.15	At grant date
1 June 2008	30 June 2013	$0.294	1/3 on each anniversary date
24 December 2009	31 December 2014	$0.894	At grant date

The following table summarises the value of options granted, exercised and lapsed during the year:

	Value of options granted at the grant date	Value of options exercised at the exercise date	Value of options lapsed
D L Breeze	-	-	-
G Gilbert	-	-	88,600
H Goh	-	-	88,600
D Ambrosini	-	-	-

End of remuneration report.

Directors' Report

Additional Information

Meetings of Directors

During the financial year, two meetings of directors were held. Attendances by each director during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
D L Breeze	2	2
D Ambrosini	2	2
G Gilbert	2	2
H Goh	2	2

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 $24,670.

D Breeze

D Ambrosini

G Gilbert

H Goh

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

Non-audit Services

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

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

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011 (2010: 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
17 October 2006	17 October 2011	*	250,000
29 April 2008	29 April 2013	*	250,000
1 June 2008	30 June 2013	$0.294	1,125,000
16 December 2008	16 December 2013	$0.294	500,000
25 September 2009	30 September 2014	$0.594	75,000
24 December 2009	31 December 2014	$0.894	1,500,000
21 January 2011	21 January 2016	$0.16	625,000

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

On 21 January 2011 655,000 options were issued to the employees of BPH Energy Ltd. The options are exercisable at 16 cents with an expiry date of 21 January 2016, vesting over 36 months. The options had a fair value of $14,473. The fair value of the options was determined using the Black Scholes option pricing model. During the year 30,000 of these options were forfeited by resigning employees.

Listed Options

Grant Date	Date of Expiry	Exercise Price	Number Under Option
08 December 2009	08 December 2011	$0.20	10,190,356

During the year ended 30 June 2011, no ordinary shares of BPH Energy Limited were issued on the exercise of options granted under the BPH Energy Limited Employee Option Plan. 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.

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 2011 has been received and can be found on page 26.

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

D. Breeze.

David Breeze
Dated this 25th August 2011

Auditor's Independence Declaration

Deloitte.

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The Board of Directors
BPH Energy Limited (formerly BPH Corporate Ltd)
14 View Street
NORTH PERTH WA 6006

25 August 2011

Dear Board Members

BPH Energy Limited (formerly BPH Corporate Ltd)

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

As lead audit partner for the audit of the financial statements of BPH Energy Limited (formerly BPH Corporate Ltd) for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff
Partner
Chartered Accountants

Corporate Governance Statement

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

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

Corporate Governance Disclosures

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

Composition Of The Board

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

- the Board should comprise a majority or at least 50% of the Board will be independent non-executive directors;
- the Board should have at least one director with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

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

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

Remuneration And Nomination Committees

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

Corporate Governance Statement

Audit Committee

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

Board Responsibilities

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

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

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

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

Monitoring of the Board's Performance

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

Best Practice Recommendation

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

Action taken and reasons if not adopted

Principle 1: Lay solid foundations for management and oversight

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the board include:

- providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, and financial plans including major capital expenditure initiatives;
- overseeing and monitoring:
- organisational performance and the achievement of the Group's strategic goals and objectives and
- progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports;
- appointment, performance assessment and, if necessary, removal of the Managing Director;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organization;
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders;

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

Corporate Governance Statement

Action taken and reasons if not adopted

Principle 2: Structure the board to add value

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

The board seeks to ensure that :

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

Directors' independence

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

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is or has been employed in an executive capacity by the company or any other Group member within three years before commencing to serve on the board;
- within the last three years has been a principal of a material professional adviser or a material consultant to the company or any other Group member, or an employee materially associated with the service provided;
- has a material contractual relationship with the company or a controlled entity other than as a director of the Group;
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

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

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

Board members

Details of the members of the board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading ''Information on directors''. At the date of signing the directors' report, there are two non-executive directors and two executive directors, three of whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

- Mr Breeze has business dealings with the Group as disclosed in note 25 to the financial report. However, these are not of a value or significance that adversely affect the directors' independence.

Action taken and reasons if not adopted

Term of office

The company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election, subject to the following limitations:

- on attaining the age of 72 years a director will retire, by agreement, at the next AGM and will not seek re-election.

Chair and Managing Director

The Chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chair.

The Managing Director is responsible for implementing Group strategies and policies.

The Chairman does not satisfy the Independence test as the role of the Chairman and the Managing Director is exercised by the same person. The board is of the opinion that the Chairman's role as Chairman of the Board is appropriate given his experience and knowledge of the business.

Committees

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director is disclosed on page 24.

It is the company's practice to allow its executive directors to accept appointments outside the company. No appointments of this nature were accepted during the year ended 30 June 2011.

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

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

Principle 3: Promote ethical and responsible decision making

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

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

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

Corporate Governance Statement

Action taken and reasons if not adopted

Principle 4: Safeguard integrity in financial reporting

Adopted except as follows:-

The Company does not have a separate Audit Committee. The full Board carries out the functions of an Audit Committee. The Board has the authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Due to the status of the Company and the relatively straight forward accounts of the Company, the Directors at the moment can see no additional benefits to be obtained by establishing such a committee.

The Board follows the Audit Committee Charter, a copy of which is available on request.

External auditors

The Board's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Deloitte was appointed as the external auditor in 2010. It is Deloitte's policy to rotate audit engagement partners on listed companies at least every five years. A partner should not be re-assigned to a listed entity audit engagement if this equates to the partner serving in this role for more than 5 out of 7 successive years.

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

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

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

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

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

Action taken and reasons if not adopted

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

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

Principle 7: Recognise and manage risk

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

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

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

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

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

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

Action taken and reasons if not adopted

Principle 7: Recognise and manage risk (continued)

The environment

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

Corporate reporting

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

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards;
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

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

The board makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

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

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

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

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Revenue from ordinary activities	2	352,123	174,608
Other income	2	252,625	164,645
Share of associates profit/(loss)		(1,167,268)	(20,939)
Administration expenses		(558,198)	(312,371)
Advertising and Promotion expenses		(26,167)	(44,441)
Consulting and Legal expenses		(409,801)	(468,450)
Research and Development expenses		(45,293)	(209,746)
Depreciation and amortisation expense	3	(1,673)	(27,232)
Employee expense		(315,135)	(296,893)
Insurance expenses		(26,377)	(17,904)
Service Fees		(131,040)	(131,040)
Travelling expenses		(4,903)	(86)
Other expenses		(12,376)	(6,146)
Operating Loss Before Income Tax		(2,093,483)	(1,195,995)
Income tax (expense) /benefit	14	1,825,599	-
Operating Loss from continuing operations		(267,884)	(1,195,995)
Operating Profit/(Loss) from discontinuing operations		-	961,538
Operating Loss for the Period		(267,884)	(234,457)
Other Comprehensive Income			
Net Gains on available-for-sale financial assets		21,450,000	-
Income tax relating to components of other comprehensive income		(6,435,000)	-
Total Other Comprehensive income		15,015,000	-
Total Comprehensive Income for the period		14,747,116	(234,457)
Operating loss attributable to non-controlling interests		(46,981)	(25,672)
Operating Loss attributable to members of the parent entity		(220,903)	(208,785)
Total Comprehensive income attributable to owners of the Company		14,794,097	(208,785)
Total Comprehensive income attributable to non-controlling interests		(46,981)	(25,672)
Earnings Per Share – Basic and diluted earnings per share (cents per share)	6	(0.13)	(0.29)
From continuing operations			
Earnings Per Share – Basic and diluted earnings per share (cents per share)	6	(0.13)	(1.60)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2011

	Note	Consolidated 2011 $	2010 $
Current Assets			
Cash and cash equivalents	7	2,922,830	1,855,820
Trade and other receivables	8	2,857	89,636
Financial Assets	10	2,720,363	183,432
Other current assets	9	8,778	15,945
Total Current Assets		5,654,828	2,144,833
Non-Current Assets			
Financial assets	10	48,949	12,848,949
Investments in associates	13	50,551,521	1,568,790
Intangible assets	11	72,454	72,454
Property, plant & equipment	12	2,060	2,190
Total Non-Current Assets		50,674,984	14,492,383
Total Assets		56,329,812	16,637,216
Current Liabilities			
Trade and other payables	15	382,479	572,227
Financial liabilities	16	434,853	354,106
Provisions	17	9,161	12,438
Total Current Liabilities		826,493	938,771
Non-Current Liabilities			
Provisions	17	-	1,243
Deferred Tax liabilities	29	4,609,401	-
Total Non-Current Liabilities		4,609,401	1,243
Total Liabilities		5,435,894	940,014
Net Assets		50,893,918	15,697,202
Equity			
Issued capital	18	42,860,310	22,427,420
Reserve	19	15,422,766	391,056
Accumulated losses		(7,335,230)	(7,114,327)
Non-controlling interest		(53,928)	(6,947)
Total Equity		50,893,918	15,697,202

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Consolidated						
		Ordinary Share Capital $	Accumulated losses $	Option Reserve $	Fair value Adjustment $	Total attributable to owners of the parent entity $	Non-controlling Interest $	Total $
Balance at 1 July 2009		7,308,660	(6,905,542)	294,645	-	697,763	18,725	716,488
Loss attributable to members of consolidated entity		-	(208,785)	-	-	(208,785)	(25,672)	(234,457)
Other Comprehensive income		-	-	-	-	-	-	-
Total Comprehensive income for the year		-	(208,785)	-	-	(208,785)	(25,672)	(234,457)
Transactions with owners in their capacity as owners								
Shares issued during the financial year	18	15,910,031	-	-	-	15,910,031	-	15,910,031
Capital Raising Costs		(791,271)	-	-	-	(791,271)	-	(791,271)
Issue of employee options	19	-	-	96,411	-	96,411	-	96,411
Balance at 30 June 2010		22,427,420	(7,114,327)	391,056	-	15,704,149	(6,947)	15,697,202
Balance at 1 July 2010		22,427,420	(7,114,327)	391,056	-	15,704,149	(6,947)	15,697,202
Loss attributable to members of consolidated entity		-	(220,903)	-	-	(220,903)	(46,981)	(267,884)
Other Comprehensive income (net of tax)		-	-	-	15,015,000	15,015,000	-	15,015,000
Total Comprehensive income for the year		-	(220,903)	-	15,015,000	14,794,097	(46,981)	14,747,116
Transactions with owners in their capacity as owners								
Entitlement issue		8,237,507	-	-	-	8,237,507	-	8,237,507
Shares issued during the financial year	18	1,568,333	-	-	-	1,568,333	-	1,568,333
Placement Shares – recompliance	18	11,514,920	-	-	-	11,514,920	-	11,514,920
Capital Raising Costs	18	(887,870)	-	-	-	(887,870)	-	(887,870)
Issue of employee options	19	-	-	16,710	-	16,710	-	16,710
Balance at 30 June 2011		42,860,310	(7,335,230)	407,766	15,015,000	50,947,846	(53,928)	50,893,918

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Cash Flows From Operating Activities			
Receipts from customers		-	13,274
Grant income		217,359	236,585
Payments to suppliers and employees		(1,707,258)	(1,135,243)
Interest received		167,248	174,674
Net cash used in operating activities	21	(1,322,651)	(710,710)
Cash Flows From Investing Activities			
Amounts (to)/from other entities		(4,575,108)	(42,378)
Payment for investments		(12,000,000)	(12,800,000)
Net outflow from disposal of subsidiary		-	(16,204)
Payment for property, plant and equipment		(1,541)	(665)
Net cash used in investing activities		(16,576,649)	(12,859,247)
Cash Flows From Financing Activities			
Proceeds from capital raising (net of capital raising costs)		18,966,310	15,103,760
Repayment of Borrowings		-	(50,251)
Net cash provided by financing activities		18,966,310	15,053,509
Net increase (decrease) in Cash Held		1,067,010	1,483,552
Cash At the Beginning Of The Financial Year		1,855,820	372,268
Cash At The End Of The Financial Year	7	2,922,830	1,855,820

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
for the year ended 30 June 2011

1. Statement of Significant Accounting Policies

Corporate Information

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

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

The financial report was authorised for issue on 25th August 2011 by the board of directors.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB")and the *Corporations Act 2001*.

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

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Compliance with IFRS

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

Going Concern

The consolidated entity has incurred losses for the year ended 30 June 2011 of $267,884 (2010:losses of $1,195,995) and has a net cash outflow from operating activities of $1,322,651 (2010: $710,710).

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

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

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

Notes to the Financial Statements
for the year ended 30 June 2011

1. Statement of Significant Accounting Policies (continued)

Accounting Policies

(a) Principles of Consolidation

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

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

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

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

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

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

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

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

(b) Income Tax

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

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

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

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

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

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

(c) Property, Plant & Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

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

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

Notes to the Financial Statements
for the year ended 30 June 2011

1. Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

(c) Property, Plant & Equipment (continued)

Depreciation

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

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

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

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

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

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

(d) Leases

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

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

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

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

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

(e) Financial Instruments

Recognition and Initial Measurement

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

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

Derecognition

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

Classification and Subsequent Measurement

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

Notes to the Financial Statements
for the year ended 30 June 2011

1. Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

(e) Financial Instruments (continued)

(iv) Available-for-sale financial assets

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

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

(v) Financial Liabilities

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

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

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

(f) Impairment of Assets

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

(g) Investments in Associates

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

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

Dividends receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Where an investment is classified as a financial asset in accordance with AASB 139, at the date significant influence is achieved, the fair value of the investment needs to be assessed. Any fair value gains are recognised in accordance with the treatment the classification the financial asset as required by AASB 139.

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

(h) Intangibles

Research

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

Patents and Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 20 years.

(i) Employee Benefits

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

(j) Provisions

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

Notes to the Financial Statements
for the year ended 30 June 2011

1. Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

(k) Cash and Cash Equivalents

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

(l) Revenue and Other Income

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

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

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

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

(m) Goods and Services Tax (GST)

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

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

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

(n) Government Grants

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

(o) Trade and other payables

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

(p) Share based payments

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

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

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

(q) Earnings per share

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

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

(r) Critical accounting estimates and judgments

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

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

Key judgements — Provision for Impairment of Loans Receivables

Included in the accounts of Consolidated entity are amounts from loan receivables of $2,720,363 (2010: $183,432). The directors believe that the full amount of the debt will be recoverable from each entity and that no provision for impairment of receivables has been made at 30 June 2010.

Key Judgments —Impairment of Intangible Assets

No impairment has been recognised in respect of intangible assets for the year ended 30 June 2011 (2010: $nil). The directors believe that the carrying value of all intangibles is appropriate after reviewing the status of each entity's developments. The directors are confident that the products will provide the necessary returns to the Company.

Key Judgments —Fair Value of Financial Assets

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

Notes to the Financial Statements
for the year ended 30 June 2011

	Consolidated 2011 $	Consolidated 2010 $
2. Revenue		
Revenue		
Interest revenue cash accounts	167,248	174,608
Interest revenue: other entities	184,875	-
Total revenue	352,123	174,608
Other income		
Research & development rebate	138,525	164,645
Consultancy fees	114,100	-
	252,625	164,645

3. Expenses Included in Loss for the year

(a) Expenses

	2011 $	2010 $
Finance costs:		
- related entities	-	-
Depreciation and amortisation		
- Depreciation	1,673	3,174
- Amortisation	-	24,058
- Salary	165,927	65,000
- Superannuation	12,034	5,850
- Director fees	124,985	124,991
- Share based payments	16,710	96,411
- Other payroll costs	(4,521)	4,641
Total employee costs	315,135	296,893

4. Key Management Personnel Compensation

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

Key Management Personnel

D L Breeze - Executive Chairman

H Goh – Non-Executive Director

G Gilbert – Non Executive Director

D Ambrosini – Executive Director and Company Secretary

	Consolidated	
	2011 $	2010 $
Short term employee benefits	223,000	203,830
Share based payments	-	94,800
	223,000	298,630

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

Options and Rights Holdings

2011 Number of Options Held by Key Management Personnel

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

2010 Number of Options Held by Key Management Personnel

	Balance 1.7.2009	Granted as Compen-sation	Options Exercised	Net Change Other	Balance 30.6.2010	Total Vested 30.6.2010	Total Exercisable and Vested 30.6.2010	Total Unexercis-able 30.6.2010
D L Breeze	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
S K Yap	2,000,000	-	-	(2,000,000)	-	-	-	-
G Gilbert	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
H Goh	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
D Ambrosini	1,000,000	1,000,000	-	-	2,000,000	1,666,667	1,666,667	333,333

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

Notes to the Financial Statements
for the year ended 30 June 2011

4. Key Management Personnel Compensation (continued)

Shareholdings

2011 Number of Shares Held by Key Management Personnel

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

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

2010 Number of Shares Held by Key Management Personnel

	Balance 1.7.2009	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2010
D L Breeze	12,965,254	-	-	54,367	13,019,621
S K Yap	1,700,000	-	-	(1,700,000)*	-
G Gilbert	961,538	-	-	-	961,538
H Goh	961,538	-	-	-	961,538
D Ambrosini	-	-	-	-	-

*Relates to resignation of Director

Net Change Other refers to shares purchased or sold during the financial year.

5. Auditors' Remuneration

	Consolidated 2011 $	Consolidated 2010 $
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report		
PKF	-	24,202
Deloitte Touche Tohmatsu	34,157	15,500
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries	-	-
	34,157	39,202

	Consolidated 2011 $	Consolidated 2010 $
6. Earnings per share		
For basic and diluted Earnings Per Share		
Total earnings per share attributable to ordinary equity holders of the company	(220,903)	(208,785)
Net (profit)/loss from discontinuing operations	-	(961,538)
Earnings used in the calculation of basic earnings per share from continuing operations	(220,903)	(1,170,323)
For basic and diluted Earnings Per Share		
From continuing operations	(0.13)	(1.60)
From discontinuing operations	-	1.31
Total Basic Earnings per Share	(0.13)	(0.29)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS	170,877,168	73,194,789

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.

The weighted average number of shares has been retrospectively adjusted in 2010 based on the completion of the share consolidation that occurred in December 2010.

7. Cash and cash equivalents

	2011 $	2010 $
Cash at Bank and in hand	2,915,723	1,849,203
Short-term bank deposits	7,107	6,617
	2,922,830	1,855,820

Reconciliation of cash

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

	2011 $	2010 $
Cash and cash equivalents	2,922,830	1,855,820

8. Trade and other receivables

	2011 $	2010 $
CURRENT		
Research and development rebate receivable	-	70,850
Other receivables	2,857	18,786
	2,857	89,636

Notes to the Financial Statements
for the year ended 30 June 2011

	Consolidated 2011 $	Consolidated 2010 $
9. Other Assets		
CURRENT		
Prepaid insurance	8,778	15,945
	8,778	15,945

	Consolidated 2011 $	Consolidated 2010 $
10. Financial Assets		
Current		
Unsecured Loans to other entities: (a)		
Grandbridge Limited	55,645	55,645
Cortical Dynamics Limited	100,070	-
Molecular Discovery Systems Limited	231,100	117,000
MEC Resources Limited	2,494	10,787
Secured Loans to other entities: (b)		
Advent Energy Limited	1,820,467	-
Cortical Dynamics Limited	353,238	-
Molecular Discovery Systems Limited	157,349	-
	2,720,363	183,432
Non - Current		
Investments in unlisted entities (c)	48,949	12,848,949
	48,949	12,848,949

(a) Unsecured loans

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

(b) Secured loans

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

(c) Available for sale financial assets at fair value

	2011 $	2010 $
Cortical Dynamics Limited	48,949	48,949
Advent Energy Limited	-	12,800,000
	48,949	12,848,949

On 9 September 2009 Advent Energy granted BPH Energy an exclusive option to purchase up to $14M in shares in the capital of Advent. BPH Energy initiated this option in January 2010 by making an initial investment of $7M. A further investment of $5.8M was made in April 2010 increasing their holding to $12.8m. During the year, BPH Energy further increased its interest in Advent Energy and Advent is now accounted for using the equity accounting method, refer to Note13.

11. Intangible assets

	Consolidated 2011 $	Consolidated 2010 $
Patent costs capitalised		
Cost	72,454	72,454
Accumulated amortisation and impairment	-	-
Net carrying value	72,454	72,454
Acquired intellectual property (i), (ii)		
At cost (a)	-	1,151,697
Accumulated impaired losses	-	(151,697)
Disposal of intellectual property to Molecular Discovery Systems Limited	-	(713,442)
Accumulated amortisation	-	(286,558)
Net carrying value	-	-
Total intangibles	72,454	72,454
(i) Tumour Suppressor Gene - HLS5	-	-
(ii) BAR Index	-	-

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

On 6th January 2010 BPH Energy spun off its 100% owned subsidiary Molecular Discovery Systems Ltd. Under the spin off BPH transferred 100% of its interest in the HLS5 technology and it associated technologies to investee company Molecular Discovery Systems Ltd.

Notes to the Financial Statements
for the year ended 30 June 2011

	Consolidated 2011 $	Consolidated 2010 $
12. Property, Plant and Equipment		
Plant and Equipment:		
At cost	41,486	40,252
Accumulated depreciation	(39,426)	(38,062)
Total Property, Plant and Equipment	2,060	2,190

(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	2011 $	2010 $
Balance at the beginning of the year	2,190	5,549
Additions	1,543	1,275
Disposals	-	(850)
Depreciation expense	(1,673)	(3,784)
Carrying amount at the end of the year	2,060	2,190

13. Investments accounted for using the equity method

	2011 $	2010 $
Shares in Associates	-	-
Advent Energy Limited	49,052,002	-
Molecular Discovery Systems Limited	1,499,519	1,568,790
	50,551,521	1,568,790

(a) Shares in associates

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

Name of Entity	Country of Incorporation	Ownership Interest %		Principal Activity
		2011	2010	
Molecular Discovery Systems Limited	Australia	20%	20%	Biomedical Research
Advent Energy Limited (i)	Australia	27.4%	19.4%	Oil and Gas Exploration

(i) Through the expansion of corporate activities on 16th December 2010 BPH Energy increased its holding in Advent Energy to 27.4% by participating in the Advent Energy bookbuild. BPH subscribed for a 11.4M shares at an issue price of $1.25 under the Advent Energy's Bookbuild. BPH converted $2.4M of the secured loan with Advent to satisfy the purchase.

BPH fair valued their investment at the date that significant influence was obtained in Advent. This resulted in a fair value adjustment of $21,450,000 to the investment and asset revaluation reserve.

(a) Summarised financial information of associates

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

	Total of Associate					Groups Share of:	
	Ownership interest %	Assets	Liabilities	Profits/ Losses	Revenues	Net Assets	Net Loss for the Period since becoming an associate
2011							
Molecular Discovery Systems Ltd	20	757,495	604,405	(346,356)	89,683	30,618	(69,270)
		757,495	604,405	(346,356)	89,683	30,618	(69,270)
Advent Energy Ltd	27.4	38,939,408	9,709,478	(7,095,097)	403,809	8,017,770	(1,097,998)
		38,939,408	9,709,478	(7,095,097)	403,809	8,017,770	(1,097,998)
2010							
Molecular Discovery Systems Ltd	20	797,286	307,819	(138,724)	13,344	97,893	(20,939)
		797,286	307,819	(138,724)	13,344	97,893	(20,939)

Reconciliation of Investment in Advent Energy	$
Opening balance:	12,800,000
Add: additions	15,900,000
Add: fair value adjustment (i)	21,450,000
Less: share of loss in associate	(1,097,998)
Closing balance	49,052,002

(i) Where an investment is classified as a financial asset in accordance with AASB 139, at the date significant influence is achieved, the fair value of the investment needs to be assessed. Any fair value gains are recognised in accordance with the treatment the classification the financial asset as required by AASB 139.

Notes to the Financial Statements
for the year ended 30 June 2011

	Consolidated 2011 $	2010 $
14. Income Tax Expense		
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	(1,825,599)	-
	(1,825,599)	-
(b) The prima facie tax on profit from operations before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from operations before income tax at 30% (2010: 30%)	(628,044)	(70,337)
Add tax effect of:		
Non deductible expenses	25,319	46,011
Effect of concessions (research and development)	-	(49,394)
Tax benefit of revenue losses not recognised	-	(167,660)
Effect of previously unrecognised and unused tax losses now recognised as deferred tax assets	(1,222,874)	-
Temporary differences	-	241,380
Income tax expense/(benefit) recognised	(1,825,599)	-
Weighted average rate of tax	(87%)	-
(c) Deferred Tax Assets		
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1b occur.		
Temporary difference	115	4,650
Tax losses:		
- operating losses	-	1,256,425
- capital losses	26,342	26,342
15. Trade and other payables		
Trade payables	14,898	125,673
Sundry payables and accrued expenses	367,581	446,554
	382,479	572,227
16. Financial Liabilities		
Current		
Current borrowings – unsecured	434,853	354,106
	434,853	354,106

Current borrowings are unsecured, non interest bearing and repayable on demand.

	Consolidated 2011 $	Consolidated 2010 $
17. Provisions		
Short term employee entitlements:		
Opening balance at 1 July 2010	12,438	9,040
Reduction/addition to provision	(3,277)	3,398
Balance at 30 June 2011	9,161	12,438
Long term employee entitlements	-	1,243
	-	1,243

Provision for Employee Entitlements

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

18. Issued Capital

	2011 $	2010 $
216,106,207 (2010: 206,954,246) fully paid ordinary shares	42,860,310	22,427,420

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

	Consolidated 2011 $	Consolidated 2010 $	Consolidated 2011 No.	Consolidated 2010 No.
(a) Ordinary Shares				
At the beginning of reporting period	22,427,420	7,308,660	206,954,246	74,980,016
Shares issued – entitlement issue/ shareholder share placement	8,237,502	2,730,561	103,314,033	20,887,529
First Offer and Second Offer Placements	-	13,159,670	-	110,948,534
Conversion of quoted options	-	4,800	-	24,000
Shares issued – purchase of 3M shares in Advent Energy	1,500,000	-	18,750,000	-
Consolidation of capital 1:2 basis	-	-	(164,717,502)	-
Shares issued through recompliance prospectus	11,514,920	-	50,951,205	-
Payment for consultancy services	68,338	-	854,225	
Payment for director services	-	15,000	-	114,167
Capital Raising costs	(887,870)	(791,271)	-	-
At reporting date	42,860,310	22,427,420	216,106,207	206,954,246

Notes to the Financial Statements
for the year ended 30 June 2011

18. Issued Capital (continued)

Capital Raising

There were nil options exercised during the year (2010: 24,000).

Fully Paid Ordinary Share Capital

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

Options

There were 4,325,000 employee options on issue at the end of the year:

Total number	Exercise price	Expiry date
250,000	*	17 October 2011
250,000	*	29 April 2013
1,125,000	$0.294	30 June 2013
500,000	$0.294	16 December 2013
75,000	$0.594	30 September 2014
1,500,000	$0.894	31 December 2014
625,000	$0.160	21 January 2016
4,325,000		

There were 10,190,356 listed options on issue at the end of the year:

Total number	Exercise price	Expiry date
10,190,356	$0.20	08 December 2011
10,190,356		

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

The market price of the company's ordinary shares at 30 June 2011 was 3 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 2011 and 30 June 2010 are as follows:

	Consolidated	
	2011 $	2010 $
Cash and cash equivalents	2,922,830	1,855,820
Trade and other receivables	2,857	89,636
Trade and other payables	(382,479)	(572,227)
Working capital position	2,543,208	1,373,229

19. Reserves

Options Reserve	407,766	391,056
Asset Revaluation Reserve	15,015,000	-
	15,422,766	391,056

a. Option Reserve

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

Reconciliation of movement		
Opening balance	391,056	294,645
Option charges during the year	16,710	96,411
Closing balance	407,766	391,056

b. Asset Revaluation Reserve

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

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

Notes to the Financial Statements
for the year ended 30 June 2011

20. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
			2011	2010
Parent Entity				
BPH Energy Limited	Investment	Australia		
Subsidiaries of BPH Energy Limited				
Diagnostic Array Systems Pty Limited	BioMedical Research	Australia	51.82	51.82

21. Cash Flow Information

	Consolidated 2011 $	Consolidated 2010 $
(a) Reconciliation of Cash Flow from Operations with Profit after income tax		
Operating loss after income tax	(267,884)	(234,457)
Non-cash flows in profit:		
Loss on acquisition of joint venture	-	-
Depreciation and amortisation	1,673	27,842
Interest Revenue	184,875	-
Share based payment expense	16,710	96,411
Intercompany recharges	(129,624)	85,549
Share of Associates Loss	1,167,268	20,939
Gain on disposal of subsidiary	-	(995,566)
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	78,834	83,364
(Increase)/decrease in other assets	7,167	35,008
Increase/(decrease) in provisions	(4,521)	4,642
Increase/(decrease) in trade payables and accruals	(181,800)	165,558
Increase/(decrease) in deferred tax liabilities	(1,825,599)	-
Cash outflow from operations	(1,322,651)	(710,710)

(b) Non-cash Financing and Investing Activities

i) In Specie Distribution		
206,935,864 ordinary shares in MDS were redistributed to shareholders during the prior year as part of the In Specie distribution undertaken by the Company to Molecular Discovery Systems. The share value was based on the fair value at the time of the distribution.	-	570,753
ii) issue of Shares		
854,224 (2010: Nil) shares were issued for consultancy services	68,338	-
Nil (2010:114,767) shares were issued for director services	-	15,000

(c) Financing Facilities

Credit card facility (limit)	20,000	20,000
Used credit card facility	-	-

22. Financial Risk Management

(a) Financial Risk Management

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

i. Financial Risk Exposures and Management

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

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

Liquidity risk

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

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

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

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

Equity price risk

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

Foreign currency risk

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

Notes to the Financial Statements

for the year ended 30 June 2011

22. Financial Risk Management (continued)

(b) Financial Instruments

i. Interest rate risk

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

Consolidated Group

2011	Weight Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate 1 Year of less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing $	Total $
Financial Assets						
Cash and cash equivalents	4.50	2,922,830	-	-	-	2,922,830
Trade and other receivables		-	-	-	2,857	2,857
Other financial assets		-	2,331,054	-	389,309	2,720,363
Total Financial Assets		2,922,830	2,331,054	-	392,166	5,646,050
Financial Liabilities						
Trade and sundry payables		-	-	-	382,479	382,479
Financial liabilities		-	-	-	434,853	434,853
Total Financial Liabilities		-	-	-	817,332	817,332

2010	Weight Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate 1 Year of less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing $	Total $
Financial Assets						
Cash and cash equivalents	4.25	1,855,820	-	-	-	1,855,820
Trade and other receivables		-	-	-	89,636	89,636
Other financial assets		-	-	-	183,432	183,432
Total Financial Assets		1,855,820	-	-	273,068	2,128,888
Financial Liabilities						
Trade and sundry payables		-	-	-	572,227	572,227
Financial liabilities		-	-	-	354,106	354,106
Total Financial Liabilities		-	-	-	926,333	926,333

ii. Fair Values

The fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- For unlisted investments where there is no organised financial market, the fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Other assets and liabilities approximate their carrying value.

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

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Available-for-sale financial assets	48,949	48,949	12,848,949	12,848,949
Loans and receivables	2,723,220	2,723,220	273,068	273,068
	2,772,169	2,772,169	13,122,017	13,122,017
Financial Liabilities				
Other loans and amounts due	434,853	434,853	354,106	354,106
Trade payables	382,479	382,479	572,227	572,227
	817,332	817,332	926,333	926,333

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

	2011 Available for sale	2010 Available for sale
Opening balance	12,848,949	48,949
Add: Purchases	(12,800,000)	12,800,000
Closing balance	48,949	12,848,949

The reclassification during the year relates to the investment in Advent Energy Limited. Advent Energy is now accounted for as an associate, refer to note 13.

Notes to the Financial Statements
for the year ended 30 June 2011

22. Financial Risk Management (continued)

(b) Financial Instruments (continued)

iii. Sensitivity Analysis

Interest Rate Risk

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

Interest Rate Sensitivity Analysis

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

	Consolidated Group	
	2011	**2010**
Change in profit		
— Increase in interest rate 1%	25,942	54,303
— Decrease in interest rate by 0.5%	(12,971)	(27,151)

Liquidity Risk Management

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

23. Operating Segment

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

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

24. Events after the Statement of financial position Date

On 27th July 2011 the Company entered into a loan variation agreement with Cortical Dynamics to defer payment of their unsecured loan with the Company for a period of 12 months.

On 5th August 2011 the Company extended its unsecured facility with Cortical Dynamics by an additional 150k.

On 16 August 2011 the Company entered into a selective buyback agreement with MEC. BPH Energy has agreed to buy back up to $1.35 million of MEC's shareholding in the Company. The number of buy-back shares will be determined by dividing the total consideration by the 5-day volume weighted average closing price of shares prior to the date of the buy-back. The proposed buyback is subject to shareholder approval which is to be sought at an extraordinary general meeting of the BPH Energy to be held on 15 September 2011.

On 19 August 2011 Advent Energy repaid an amount of $1.8M in full and final settlement of its obligations under the secured loan agreement entered into with the Company on 15 June 2010.

25. Related Party Transactions

((a) Equity interests in controlled entities

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

(b) Directors' Remuneration

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

(c) Directors' Equity Holdings

	Parent	
	2011	2010
	No.	No.
Ordinary Shares		
Held as at the date of this report by directors and their director-related entities in:		
BPH Energy Limited	7,471,349	14,942,697
In December 2010 BPH Energy performed a consolidation of capital on a 1:2 basis.		
Other Equity Instruments		
Options		
Held as at the date of this report by directors and their director-related entities in:		
BPH Energy Limited	2,000,000	8,000,000

Notes to the Financial Statements
for the year ended 30 June 2011

25. Related Party Transactions (continued)

(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 (2010: $98,000) was paid during the year.

(e) Interest in Associates

A loan receivable exists between BPH Energy and Molecular Discovery Systems Ltd ("MDSystems") $231,100 (2010:$117,000). This amount is unsecured, non interest bearing and repayable on demand.

A loan payable exists between BPH Energy and Molecular Discovery Systems Ltd ("MDSystems") $61,310 (2010:$61,310). This amount is unsecured, non interest bearing and repayable on demand

On 24th December 2009 shareholder approval was received to spin off 100% owned subsidiary MDSystems, which occurred of 6 January 2010. Under the spin BPH Energy disposed of its interest in the HLS5 technology and its associated projects. This was distributed back to the shareholders of BPH Energy on a one for one basis.

During the year BPH Energy entered into 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 $157,349 (2010: nil). Interest charged on the loan totalled $2,348 (2010: Nil).

In January 2010, BPH Energy converted $1,500,000 of its loan receivable from MDSystems into ordinary shares of MDSystems.

During the year, BPH Energy provided consultancy services to MDSystems of $114,100 (2010: Nil)

A convertible loan agreement exists between BPH Energy and Advent Energy Ltd ("Advent")$1,778,801 (2010:$nil) The loan is secured by a fixed and floating charge over Advent's present and future undertakings, assets and rights. Interest charged on the loan totalled $178,801 (2010: Nil).

In December 2010, BPH Energy converted $2,400,000 of its loan receivable from Advent into ordinary shares of Advent.

Further, a loan payable exists between Advent and BPH of $ 41,666 (2010:$8,333). This amount is unsecured, non interest bearing and repayable on demand.

26. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2011:

Total number	Grant Date	Exercise price	Fair value at grant date	Expiry date
250,000	17 October 2006	*	$0.0869	17 October 2011
250,000	29 April 2008	*	$0.0225	29 April 2013
1,125,000	1 June 2008	$0.294	$0.0232	30 June 2013
500,000	16 December 2008	$0.294	$0.0119	16 December 2013
75,000	25 September 2009	$0.594	$0.0423	30 September 2014
1,500,000	24 December 2009	$0.894	$0.0266	31 December 2014
625,000	21 January 2011	$0.160	$0.0220	21 January 2016
4,325,000				

At balance date, no share option has been exercised (2010: nil).

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

	Consolidated Group			
	2011		2010	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	13,700,000	0.22	12,150,000	0.15
Granted	655,000	0.16	3,000,000	0.45
Granted	-	-	150,000	0.30
Forfeited	(4,000,000)	-	-	-
Expired	(30,000)	0.16	-	-
Expired	(6,000,000)	0.294	(1,600,000)	0.15
Outstanding at year-end	4,325,000	0.25	13,700,000	0.22
Exercisable at year-end	3,483,333	0.25	12,750,000	0.22

No options were exercised during the year ended 30th June 2011 (2010:nil).

On 21 January 2011 655,000 options were issued to the employees of BPH Energy Ltd. The options are exercisable at 16 cents with an expiry date of 21 January 2016, vesting over 36 months. The options had a fair value of $14,473. The fair value of the options was determined using the Black Scholes option pricing model.

The weighted average fair value of the options granted during the year was $14,473.

Notes to the Financial Statements
for the year ended 30 June 2011

26. Related Party Transactions (continued)

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Exercise price	$0.16
Life of the option	60 months
Underlying share price	$0.08
Expected share price volatility	50%
Dividends	0%
Risk free interest rate	5.25%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the profit and loss is $16,710 (2010: $96,410), and relates, in full, to equity.

27. Commitments and Contingencies

At reporting date there are no contingent liabilities.

The company has a convertible loan agreement with MDSystems. The loan is for a maximum amount of $500,000 and is to be used for short term working capital requirements. Subject to MDSystems being admitted 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 $157,349 (2010:nil).

The company has a convertible loan agreement with Advent. The loan is for a maximum amount of $4,000,000. Subject to the conditions of the agreement 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 $1,778,801 (2010:nil).

During the year BPH Energy entered into a convertible loan agreement with Cortical Dynamics. The loan is for a maximum amount of $500,000 and is to be used for short term working capital requirements. Subject Cortical being admitted to the Official list BPH Energy has a right of conversion to satisfy the debt on or before the termination date. As at reporting date the loan had been drawn down by an amount of $353,238 (2010:nil).

28. Parent Entity Disclosures

	Parent 2011	Parent 2010
Financial Position		
Assets		
Current assets	6,482,587	2,852,089
Non-current assets	51,456,012	15,272,208
Total asset	57,938,599	18,124,297
Liabilities		
Current liabilities	585,178	681,485
Non-current liabilities	4,609,401	1,243
Total liabilities	5,194,579	682,728
Equity		
Issued Capital	42,860,310	22,429,869
Retained earnings	(5,539,056)	(5,379,356)
Reserves		
Option Reserve	407,766	391,056
Asset Revaluation Reserve	15,015,000	-
Total equity	52,744,020	17,441,569
Financial Performance		
Profit/Loss for the year	(159,700)	(1,698,346)
Other comprehensive income	15,015,000	-
Total comprehensive income	14,855,300	(1,698,346)

Notes to the Financial Statements
for the year ended 30 June 2011

		Consolidated	
		2011	2010
29.	**Tax**		
(a)	**Liabilities**		
	CURRENT		
	Income tax	-	-
	NON CURRENT		
	Deferred tax liabilities comprises:		
	Fair value gain adjustments	6,555,456	-
		6,555,456	-
(b)	**Assets**		
	Deferred tax assets comprise:		
	Prepayments	2,633	
	Provisions	2,748	-
	Accrued expenses	65,507	-
	Tax losses	1,875,167	-
		1,946,055	-
(c)	**Deferred tax balances are presented in the statement of financial position as follows:**		
	Deferred tax assets	1,946,055	-
	Deferred tax liabilities	(6,555,456)	-
	Closing balance	4,609,401	-

30. Adoption of New and Revised Accounting Standards

(a) New standards and Interpretations Adopted

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2010.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process;
- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2.
- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project:
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

(b) Accounting Standards and Interpretations issued but not yet effective

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2011.

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied be consolidated entity
AASB 124 Related Party Disclosures (2009) and AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-9 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013	30 June 2014
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from Annual Improvements Project	1 January 2011	30 June 2012
AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014
IFRS 10 Consolidated Financial Statements	1 January 2013	30 June 2014
IFRS 11 Joint Arrangements	1 January 2013	30 June 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
IFRS 13 Fair Value Measurement	1 January 2013	30 June 2014

The impact of these recently issued or amended Standards and Interpretation have not been determined as yet by the consolidated entity.

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 35 to 71 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 2011 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*.

D. Breeze.

David Breeze
Executive Chairman

Dated this 25th day of August 2011

Independent Auditor's Report

Deloitte.

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Independent Auditor's Report to the members of BPH Energy Limited (formerly BPH Corporate Ltd)

Report of the Financial Report

We have audited the accompanying financial report of BPH Energy Limited (formerly BPH Corporate Ltd), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 35 to 72.

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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 20 to 23 of the directors' report for the year ended 30 June 2011. 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 (formerly BPH Corporate Ltd) for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 25 August 2011

Additional Securities Exchange Information

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

The information is made up to 18th August 2011

1. Substantial Shareholder

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

Shareholder	Shares	%
MEC Resources Ltd	57,918,482	26.80

2. (a) Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	431	185,876	0.09
1,001 – 5,000	590	1,979,625	0.92
5,001 – 10,000	465	3,607,076	1.67
10,001 – 100,000	1,309	48,061,893	22.24
100,001 and over	314	162,271,737	75.09
	3,109	216,106,207	100.00

The number of shareholders with less than a marketable parcel is 1,814, holding in total 9,867,968 shares.

(b) Distribution of Listed Optionholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	75	64,097	0.63
1,001 – 5,000	143	372,585	3.66
5,001 – 10,000	109	825,418	8.10
10,001 – 100,000	182	4,865,709	47.75
100,001 and over	9	4,062,547	39.87
	518	10,190,356	100.00

(c) Distribution of Unlisted Optionholders

Range of Holding	Optionholders	Number of Options	%
10,001 to 100,000	3	162,500	0.04
100,001 and over	7	4,162,500	99.96
	10	4,325,000	100.00

3. Voting Rights - Shares

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

Additional Securities Exchange Information

4. Voting Rights - Options

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

5. Restricted Securities

The Company does not have any restricted securities.

Shares

Number of Shares free of escrow	206,954,864

6. Twenty Largest Shareholders as at 18 August 2011

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

Name	Number of ordinary fully paid shares	% held of issued ordinary capital
MEC Resources Ltd	57,918,482	26.8
Trandcorp Pty Ltd	4,772,500	2.21
JP Morgan Nom Aust Ltd	3,694,371	1.71
Grandbridge Limited	3,389,100	1.57
Claymore Capital PL	2,459,049	1.14
Avatar Equities PL	2,192,223	1.01
Syracuse Cap PL	1,772,384	0.82
Trandcorp Pty Ltd	1,591,926	0.74
Kizogo PL	1,387,401	0.64
Tre PL	1,300,000	0.60
McCreed Simon Charles	1,300,000	0.60
Yewfong Co Pl	1,250,000	0.58
Batras One PL	1,199,872	0.56
Hutchfield Robert A	1,122,500	0.52
Negus Dental Services PL	1,100,000	0.51
Nefco Nom PL	1,066,372	0.49
Lewis Gary Leon and S A	1,000,000	0.46
Gallin Nicole and Hanes K	896,187	0.41
Jones Shane Robert and C R	862,487	0.40
Knight Kenneth Ian	773,045	0.36
	91,047,890	42.13

7. Twenty Largest Listed Option Holders as at 18 August 2011

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

Name	Number of ordinary fully paid shares	% held of issued ordinary capital
MEC Resources Ltd	2,212,389	21.71
Rodean Inv PL	481,334	4.72
Puskar Tanya	358,407	3.52
JHC Inv PL	300,000	2.94
Whyte Super Cust PL	176,991	1.74
Boulous George	161,433	1.58
JP Morgan Nom Aust Ltd	132,744	1.30
Geissler Stephen Albert	129,249	1.27
Schofield Pacharaporn K	110,000	1.08
Beavis Robin Mark	95,000	0.93
Mykel PL	93,698	0.92
Foremost Cap Aust PL	88,496	0.87
Dickie Gary C and JA	88,496	0.87
Green Gregory J and JME	88,496	0.87
Amberwood Nom PL	88,496	0.87
Ramsay Paul and Terrel	88,496	0.87
Fortis Corp Advisory PL	88,496	0.87
Syracuse Cap PL	88,496	0.87
Hasslinger Alban Horst	88,495	0.87
Gordon David	86,549	0.85
	5,045,761	49.52

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