# FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

BLUE ENERGY LIMITED
ACN 054 800 378

# CONTENTS

The Directors of Blue Energy Limited ("the Company", "Blue Energy", or "BLU") submit herewith their report on the Company and its controlled entities ("the Group") with respect to the financial year ended 30 June 2022.

**DIRECTORS**

The names and particulars of the Directors of the Company in office during or since the end of the financial year are as follows:

| Name | Position | Date Appointed |
|---|---|---|
| John Ellice-Flint | Executive Chairman | 05/04/2012 |
| John Phillips | Managing Director (Executive) | 28/06/2010 |
| Rodney Cameron | Non-executive Director (Deputy Chairman) | 15/11/2011 |
| Mark Hayward | Non-executive Director | 16/02/2021 |

**John Ellice-Flint** BSc (Hons) Harvard, AMP
Mr John Ellice-Flint is an Australian-born businessman whose foresight and wide-ranging oil and gas industry credentials are recognised internationally. John has over 45 years of exploration, production, operations and commercial experience in the oil and gas industry and has held many senior positions with multinational exploration and production companies. John's achievements in the oil and gas industry are well-known and highly respected. Following a 26 year international career at Unocal Corporation, serving in a variety of senior executive roles within strategic planning, exploration and technology functions, John became Managing Director and CEO of Santos Limited, Australia's largest domestic gas producer, from 2000 – 2008. John guided Santos Limited through a major growth period which culminated in the recognition of the potential of coal seam gas development through the Gladstone LNG export project in Queensland.

**John Phillips** BSc (Hons), GAICD
John is a Petroleum Geologist with over 35 years' experience in the oil and gas industry. John joined Blue Energy as Chief Operating Officer in May 2009, was promoted to CEO in April 2010 and joined the Board of Blue Energy in June 2010. John's career in industry has involved oil and gas experience in a variety of petroleum basins both domestically and internationally. John has gained extensive operational experience through his involvement with Delhi Petroleum, Esso, Conoco, Petroz and Novus, culminating in his role as Chief Operating Officer with Sunshine Gas before its takeover by QGC and subsequently by the BG Group.

**Rodney Cameron** BAdmin (Hons), MBA, MFM, FAICD, FCPA
Rodney has over 35 years industry experience, particularly in the energy and resources industries. He is a seasoned financial executive having been CFO for an ASX listed multi-national renewable energy company, as well as an executive director and CFO for a US multi-national independent power generation company. Rodney has also worked in various management capacities for National Australia Bank, Rio Tinto, Telstra, and Atlantic Richfield Inc.

Rodney is a member of the Risk and Audit Committee.

**Mark Hayward** BBus(ACC), MAICD, FCA
Mark is a Chartered Accountant and was a partner at Ernst and Young for 31 years until 30 June 2020 primarily in the financial audit group. He has extensive experience working both locally and internationally with companies in the energy and resources sectors including those with operations in Australia, Canada, USA, Singapore and South America. Mark brings to the Board strong technical accounting skills and an ability to identify the key risk areas for the company and industry.

Mark chairs the Risk and Audit Committee.

**Directorships of other listed companies**
No Directorships in other listed companies were held by current directors in the three years up to 30 June 2022.

**COMPANY SECRETARY**

Mr Stephen Rodgers was appointed Company Secretary on 15 March 2018. Mr Rodgers is a lawyer with over 33 years' experience and holds a Bachelor of Laws degree from Queensland University of Technology. Stephen practiced law with several firms in Brisbane and for many years operated his own specialist commercial and property law practice before joining the ASX listed Sunshine Gas Limited as the in-house Legal and Commercial Counsel. In 2008, Stephen was appointed as Company Secretary to Comet Ridge Limited, a position he still holds. Stephen is also the Company Secretary for Galilee Energy Limited. Stephen has extensive experience in the operation and running of an ASX listed oil and gas company as well as a detailed knowledge of Governance and legal matters.

**EARNINGS PER SHARE**

| | 2022 (Cents) | 2021 (Cents) |
|---|---|---|
| Basic loss per share | (0.10) | (0.07) |
| Diluted loss per share | (0.10) | (0.07) |

**DIVIDENDS**

No dividends were paid or declared by the Company during the financial year. The Directors do not recommend the payment of a final dividend (2021: nil).

**PRINCIPAL ACTIVITIES**

Blue Energy Limited is an energy company that undertakes exploration, evaluation and development of conventional and unconventional oil and gas resources. This activity is carried out in a single significant geographical segment, being Australia, principally in Queensland and the Northern Territory. In Queensland, Blue Energy has 100% equity holding in all its exploration tenements and is the Operator. In the Northern Territory exploration tenements, Blue Energy is earning an interest through funding a farm in work program but is the Operator. As a result of being the Operator in all of its tenement holdings, Blue Energy is in control of all capital and operating expenditures and is the point of contact for the respective State and Territory Regulators regarding work programs. There has been no change in the principal activities of the Group from the prior year.

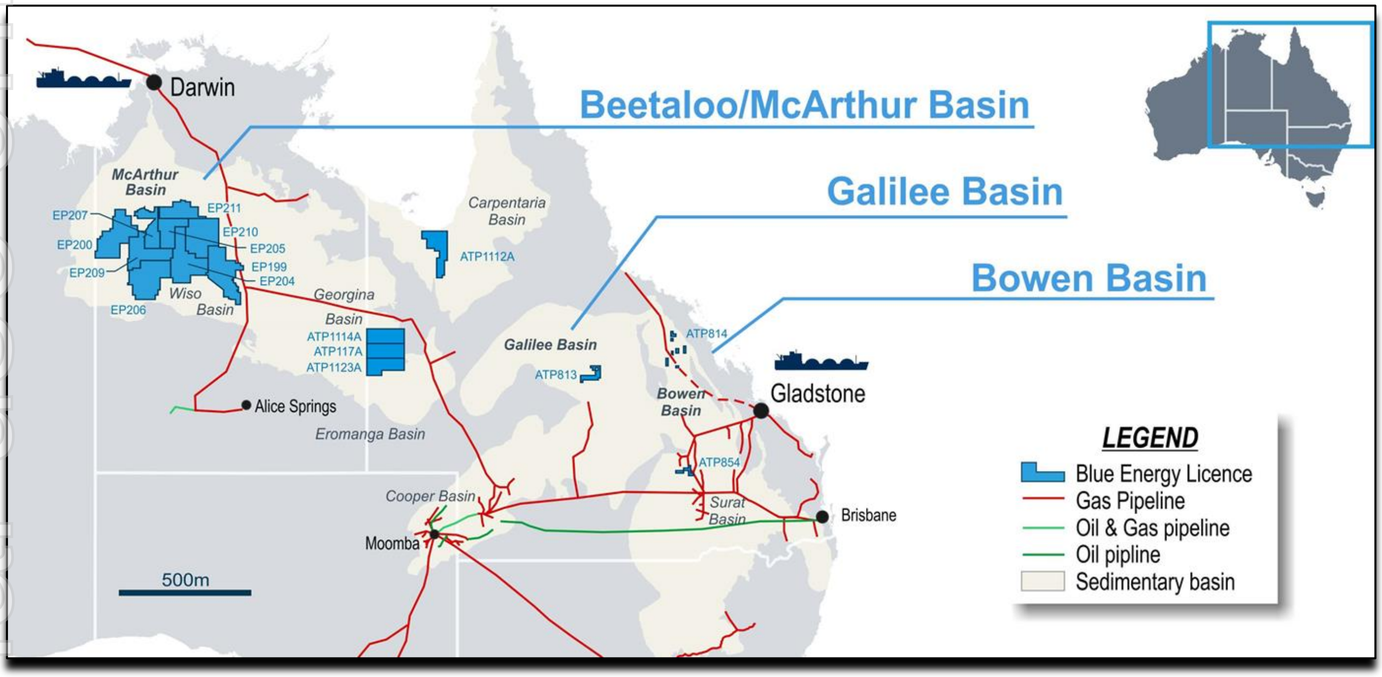


Figure 1: The Blue Energy exploration asset portfolio
Source: Blue Energy Ltd.

**OPERATING AND FINANCIAL REVIEW**

**Reserve and Resource Position**

Blue Energy's Bowen Basin 2P and 3P Reserves are estimated (by the independent consultancy Netherland, Sewell and Associates, Inc of Dallas Texas (NSAI)) to be 71 PJ and 298 PJ respectively. Blue Energy's 3C Contingent Resource estimate as at 30 June 2022 was 4,476 PJ of technically recoverable gas, whilst the 1C and 2C Contingent Resource estimates were 226 PJ and 1,313 PJ, respectively. The Gas Reserves remain confined to ATP814P in the North Bowen Basin, whilst the Contingent Resources are established by NSAI in Blue Energy's ATP814P, ATP813P and ATP854P tenements. The Reserve and Resource estimate by NSAI current as at 30 June 2022 is presented in Table 1.

On 25 January 2022, Blue Energy announced an approximate 300% upgrade of the recoverable gas resources in ATP 854P from NSAI. The upgrade is in net recoverable gas resource across the 1C, 2C and 3C Contingent Resource categories, and represents an increase in the permit's total Contingent Resource base from 101 PJ to 398 PJ of 3C. Both 1C and 2C Contingent Resource categories also increased over 300%.

These reserves are not yet developed, and there has been no production of gas by the Group to deplete the reserves. All reserves and resources stated in the table are in respect of unconventional gas (Coal Seam Gas) and are undeveloped reserves and net to Blue Energy.

These reserves remain undeveloped due to local market conditions and limited pipeline infrastructure within the North Bowen Basin region. It is the Group's intention to develop these reserves by facilitating appropriate commercial transactions to enable the provision of appropriate infrastructure. To this end Blue Energy has entered into a nonbinding Heads of Agreement (HoA) to supply 100 PJ of gas over 10 years to EnergyAustralia and a similar agreement for 300 PJ of gas supply over 10 years to Origin Energy with both contract delivery points at Wallumbilla. In addition to these two agreements, Blue Energy has also executed a Memorandum of Understanding with Queensland Pacific Metals to supply up to 112 PJ of gas over 15 years to their proposed nickel refinery in Townsville. Blue Energy continues to negotiate with other gas users to build the contracted volume and facilitate development of its North Bowen Basin gas resources. The reserves being ear-marked in this agreement are proximate to existing production but require appropriate infrastructure and commercial arrangements to be put in place for them to be brought to market.

The Group's entire reserve and resource position is independently reviewed and certified by NSAI, an independent reserve certifier, and reported by the Group directly should there be a change, as required under ASX Listing Rules for continuous disclosure. The Group continues to work with NSAI on providing any updates on the reserve and resources position.

**Table : Reserve and Resource Inventory as at 30 June 2022**

| Permit | Block | Assessment Date | Announcement Date | Methodology | Certifier | 1P (PJ) | 1C (PJ) | 2P (PJ) | 2C (PJ) | 3P (PJ) | 3C (PJ) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ATP854P | | 22/01/2022 | 25/01/2022 | SPE/PRMS | NSAI | 0 | 90 | 0 | 194 | 0 | 398 |
| ATP813P | | 29/10/2014 | 30/10/2014 | SPE/PRMS | NSAI | 0 | 0 | 0 | 61 | 0 | 830 |
| ATP814P | Sapphire | 5/12/2015 | 8/12/2015 | SPE/PRMS | NSAI | 0 | 66 | 59 | 108 | 216 | 186 |
| ATP814P | Central | 5/12/2015 | 8/12/2015 | SPE/PRMS | NSAI | 0 | 50 | 12 | 99 | 75 | 306 |
| ATP814P | Monslatt | 5/12/2015 | 8/12/2015 | SPE/PRMS | NSAI | 0 | 0 | 0 | 619 | 0 | 2,054 |
| ATP814P | Lancewood | 5/12/2015 | 8/12/2015 | SPE/PRMS | NSAI | 0 | 5 | 0 | 23 | 1 | 435 |
| ATP814P | Hillalong | 6/02/2020 | 7/02/2020 | SPE/PRMS | NSAI | 0 | 0 | 0 | 182 | 0 | 237 |
| ATP814P | South | 30/06/2013 | 29/07/2013 | SPE/PRMS | NSAI | 0 | 15 | 0 | 27 | 6 | 30 |
| **Total (PJ)** | | | | | | **0** | **226** | **71** | **1,313** | **298** | **4,476** |

All numbers are net to Blue Energy

Subsequent to the end of the period, and as described in more detail under the **Subsequent Events** heading in this Directors' Report, on 14 July 2022, Blue Energy announced a further significant increase in the Reserve and Resource Inventory for ATP814P.

### +Listing Rule 5.42 Disclosure

The estimates of Reserves and Contingent Resources noted throughout this Directors' Report have been provided by Mr John Hattner of Netherland, Sewell and Associates Inc (NSAI) and were originally reported in the Company's market announcements of 25 January 2012, 26 February 2013, 19 March 2013, 8 December 2015, 28 February 2019, 22 January 2022 and 14 July 2022. NSAI independently regularly reviews the Company's Reserves and Contingent Resources. Mr Hattner is a full-time employee of NSAI, has over 30 years of industry experience and 20 years of experience in reserve estimation, is a licensed geologist and a member of the Society of Petroleum Engineers (SPE), and has consented to the use of the information presented herein. The estimates in the reports by Mr Hattner have been prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum and Resource Management System (PRMS) approved by the SPE, utilising a deterministic methodology.

Blue Energy confirms that it is not aware of any new information or data that materially affects the information included in any of the announcements relating to ATP 813, 814 or 854 referred to in this report and that all of the material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

++ Listing Rule 5.28.2 disclosure: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

**Bowen Basin**

**ATP814P (Blue Energy 100% and Operator)**

The Federal and Queensland government support for the North Bowen Basin gas pipeline basin and the need for new gas supply, has been highlighted by the jointly funded $10 million KPMG/GHD/NSAI Bowen Basin Pipeline Feasibility Study. This ongoing phased study will assist Blue Energy in its commercialising activities to establish domestic east coast gas off-takers with the knowledge that there is Government interest and support for bringing Bowen gas to the east coast market with new build infrastructure, as well as local Townsville customers. Accordingly, Blue Energy has successfully executed the first of several planned long-term gas supply agreements with major off-takers. Blue Energy and EnergyAustralia have signed a non-binding Heads of Agreement for the supply of 100 PJ of gas over 10 years. In addition, Blue Energy executed a similar non-binding Heads of Agreement with Origin Energy for 300 PJ of gas supply over 10 years. The gas for both of these agreements is to be delivered to the Wallumbilla hub.

The permit consists of 7 separate blocks, with the Sapphire Block holding the majority of the 2P and 3P reserves. This Block is in very close proximity to the current production from the Moranbah Gas Project Joint Venture. The application for Production Licence (PL) 1034 within ATP814P is currently with the Queensland Government. The PL 1034 area is immediately adjacent to the Moranbah Gas Project which is currently a producing field operated by Arrow Energy (see Figure 2).

As at 30 June 2022 Blue Energy's 100% ATP814P had 71 PJ of 2P reserves, 298 PJ of 3P reserves and 3,248 PJ of Contingent Resources (as independently estimated by Netherland, Sewell and Associates Inc (NSAI). Events subsequent to the balance date have yielded further increases in the Company's reserve and resource base, specifically in ATP 814. These changes are covered in the "events subsequent to balance date" section of these accounts ((Table 3)

With respect to the local Townsville market, and as previously advised, Blue Energy has executed two non binding Memorandums of Understanding (MoU) as follows:

1) MoU with North Queensland Gas Pipelines Pty Ltd to work together to establish new gas off-takers in the Townsville market.
2) MoU with Queensland Pacific Metals (QPM) to work to execute a binding Gas Sales Agreement for the delivery of gas from Blue Energy's ATP814 tenement to QPM for their proposed Townsville Nickel processing facility.

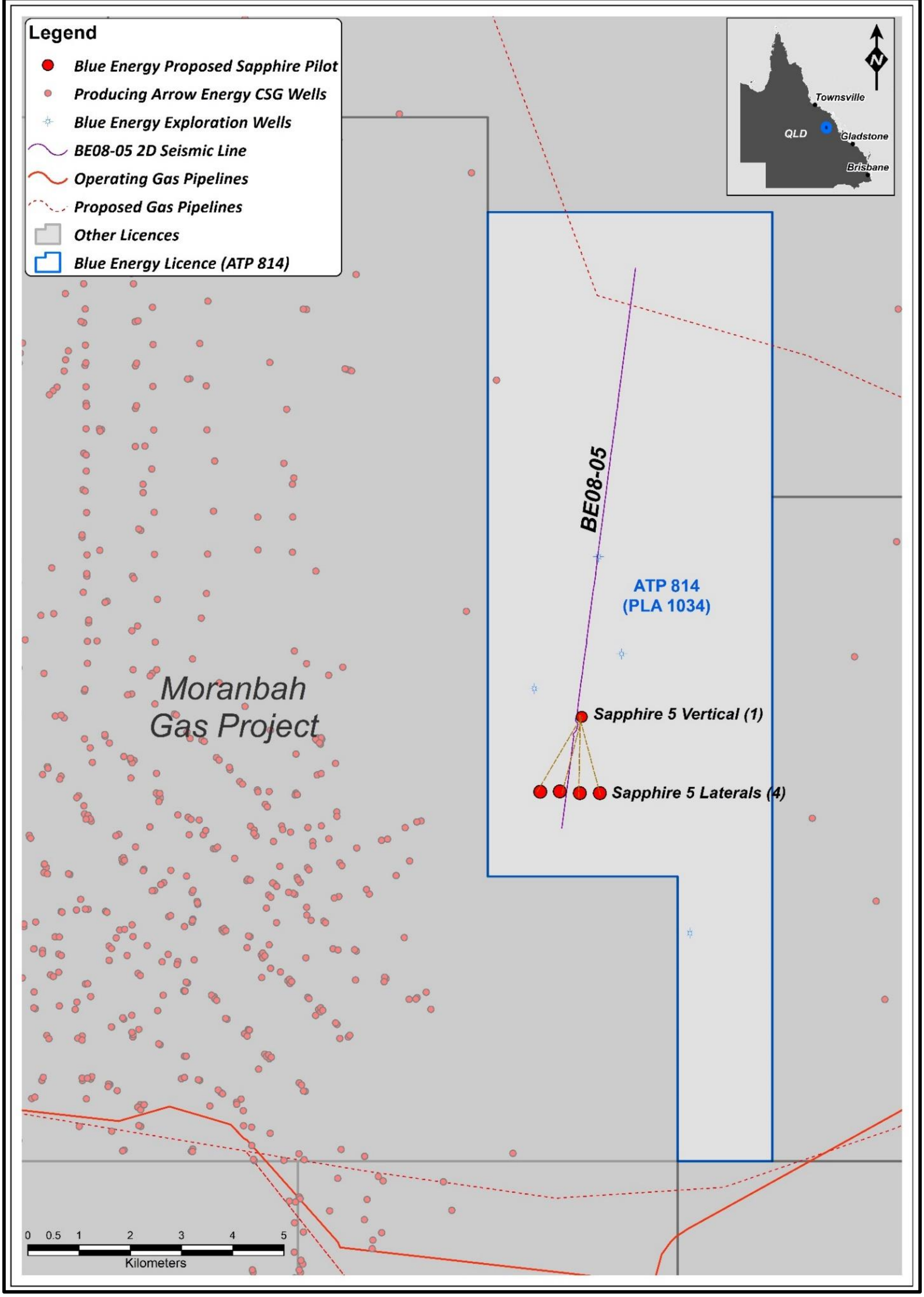


Figure 2: ATP 814, North Bowen Basin, schematic representation of Blue Energy's proposed well locations and the proximity of existing adjacent CSG producing wells in the Arrow Energy Operated Moranbah Gas Project

In pursuit of commercialisation of all the gas held in Blue Energy's ATP814P blocks, the Company is in ongoing discussions with several other large east coast gas users, who are interested in securing long term gas supply.

The 3 separate Production Licence Applications (PLA's) lodged previously are still under consideration by the Regulator, whilst 3 Potential Commercial Area Applications have been awarded by the Regulator.

The Company is preparing to lodge the requisite environmental survey work for the upgrade to the Environmental Authorities (EA's) for the three Production Licence (PL) applications in ATP 814P. The upgraded EAs are required as part of the approval process and grant of the PLs and covers the initial development program for the PL areas.

During the reporting period, Blue Energy completed the following preparatory activities for the 2022 North Bowen drilling program in ATP 814:

- Finalised all landholder access agreements.
- Successfully undertook all cultural heritage clearances with the Traditional Owners.
- Executed the drilling contract with Silver City Drilling for 1 vertical plus 4 lateral wells targeting the Moranbah, Fort Cooper and Rangal Coal Measures.
- Procured all long lead items for drilling and production testing of the wells comprising the drilling program.
- Completed the civil works, including well pads and cellar installations, required for the commencement of the drilling program.

Commencement of the drilling program, originally scheduled for late June was delayed by unseasonal heavy rains. The Sapphire 5V well in ATP 814 was spudded on 13 July 2022 and reached total depth on 19 July 2022.

The objectives of the North Bowen drilling campaign are to build the gas reserve base (through the conversion of 3C resources to 2P reserves) and to test the productivity of the respective target Permian coal seams.

The drilling program has been formulated in conjunction with Netherland Sewell and Associates Inc of Dallas Texas (NSAI), whom Blue Energy uses as the independent assessor and certifier for all of the Company's current oil and gas tenements.

The aim of each lateral well in this program is to remain in seam for up to 1,000 metres and intersect the vertical water drainage well which is also being drilled as one of the 5 wells in the drilling program. All wells are being drilled on or close to existing seismic control and all the laterals will be drilled from a single surface pad location (see Figure 3).

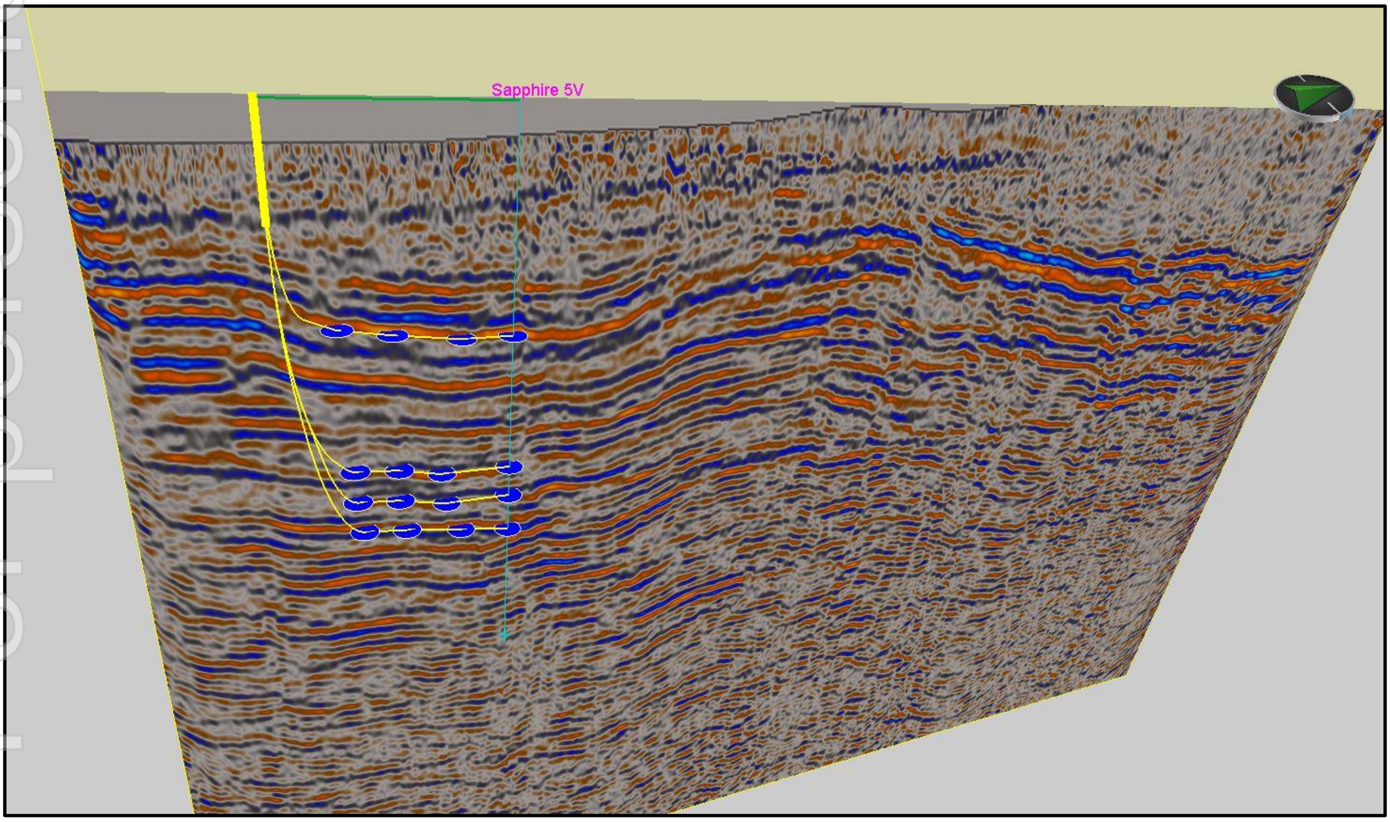


Figure 3: Blue Energy reprocessed seismic line BE08-05 showing proposed multiple lateral well paths intersecting proposed vertical well

This well pattern is also being assessed as a potential development concept for full field development for PLA 1034, as depicted in Figures 4 and 5.

At 30 June 2022 ATP 814 had 2P reserves of 71 PJ+ and 3P reserves of 298 PJ+ (as independently certified by NSAI) allocated to it. There is also significant upside within the constituent blocks comprising the permit with a combined 3,248 PJ+ of Contingent Resources in all the area held by the Company's ATP814 granted Potential Commercial Area (PCAs) and PL applications, as estimated by NSAI. There is also additional upside in the Prospective Resources category in the ATP 814 permit of approximately 2,000 PJ of gas in place.

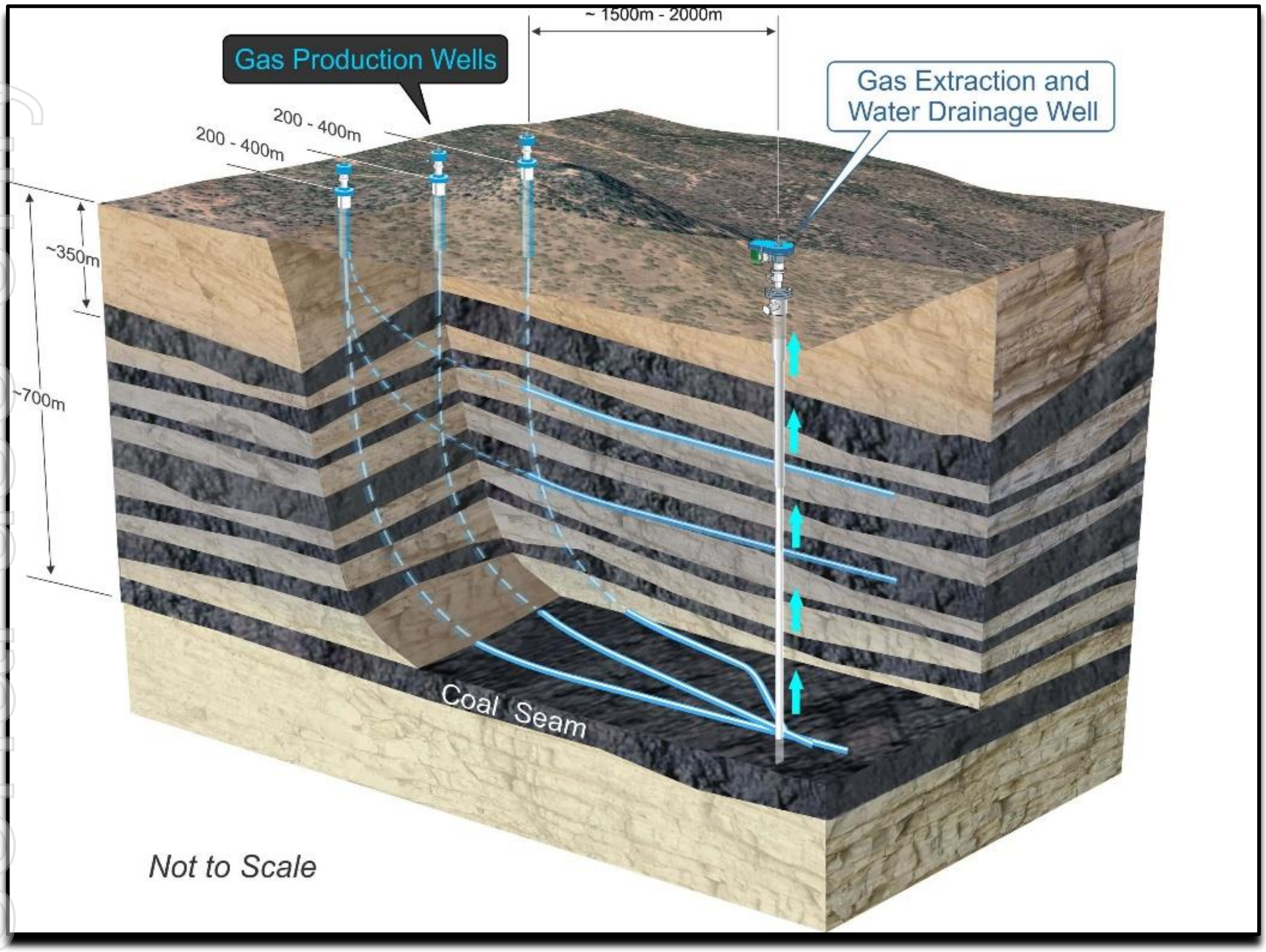


Figure 4: Schematic block diagram of well design concept for the development of the ATP 814P gas resources
Source: Blue Energy Ltd.

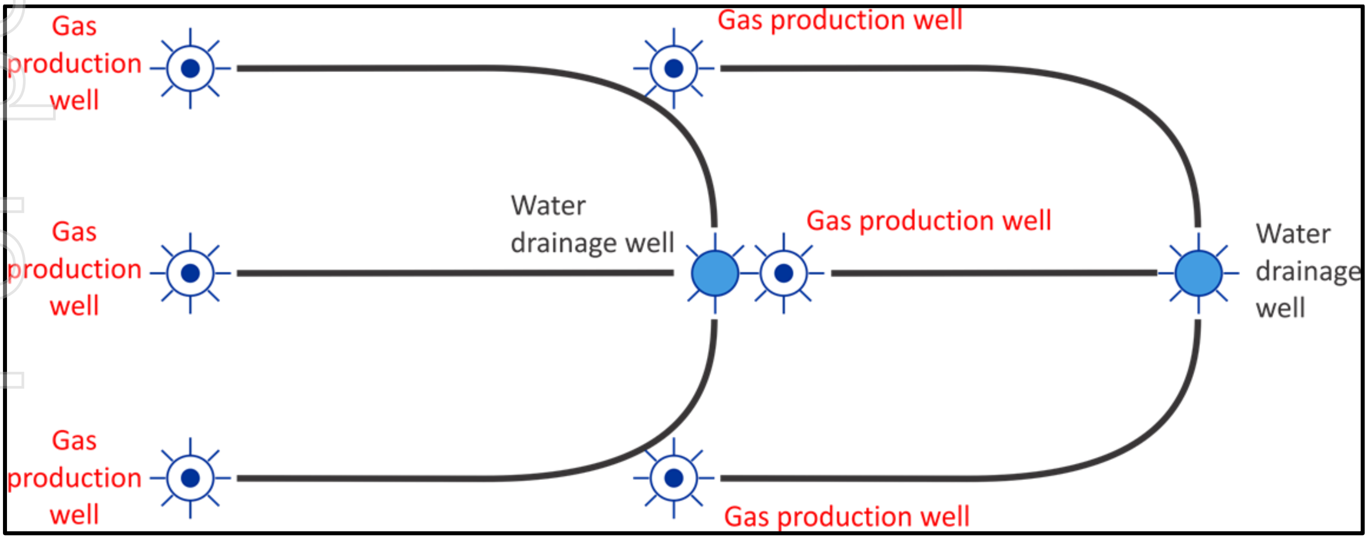


Figure 5: Plan view of notional development concept well patterns
Source: Blue Energy Ltd.

As an event subsequent to the balance date, Blue Energy engaged independent reserve and resource certifier, Netherland Sewell and Associates Inc (NSAI) of Dallas, Texas to perform an updated assessment of the gas reserves and resources for Blue Energy's 100% owned and operated Sapphire Block (PL 1034 application area). On 14 July 2022 an upgraded reserves and resources for the Sapphire Block was announced, reporting the following significant increases in reserves and resources:

- Increase in 2P and 3P gas reserves of 13% and 17%, respectively, to 66.5 PJ and 253.2 PJ
- Increase in 1C, 2C and 3C Contingent Resource category of 134%, 98% and 15%, respectively, to 154.3 PJ, 213.9 PJ and 214.4 PJ
- Increase of 47% in 3P+2C aggregate gas resource available to 467.1 PJ of recoverable gas

The 2022 drilling program has been formulated in conjunction with NSAI to provide a reserve build component (converting Contingent Reserves to 2P reserves) and a productivity test to refine the development plan for the supply of gas into Blue Energy's offtake agreements in Wallumbilla to Origin Energy and EnergyAustralia. These agreements are for the supply of up to 400 PJ of gas over 10 years. These agreements will also underpin the viability of the North Bowen Basin Gas pipeline which, as indicated by the recent Queensland/Federal Government study is a key piece of gas infrastructure to cement the North Bowen Basin in prime position to be the east coast's new gas supply source.

These revisions are reflected in Table 3

**Surat Basin, Queensland**

**ATP854P (Blue Energy 100% and Operator)**

On 25 January 2022, Blue Energy announced an approximate 300% upgrade of the recoverable gas resources in ATP 854P from NSAI. The upgrade is in net recoverable gas resource across the 1C, 2C and 3C Contingent Resource categories, and represents an increase in the permit's total Contingent Resource base from 101 PJ to 398 PJ of 3C. Both 1C and 2C Contingent Resource categories also increased over 300% (refer Table 2).

ATP 854P is located near the heart of Queensland's CSG–LNG gas supply precinct. Gas pipeline infrastructure (PPL 30 and PL 118), linking Wallumbilla to Gladstone, runs through the permit (see Fig 6). The ATP 854P gas resources thus have clear near-term potential for economic development using this infrastructure. As previously reported, Blue Energy has lodged PCAs over the permit, which now contain 398 PJ+ of Contingent Resources (in the latest review and estimation by NSAI). Blue Energy continues to work with the Queensland Government to secure grant of these PCAs. During the reporting period work was conducted and completed on a plug and abandonment program of several legacy wells in the permit, drilled previously by Blue Energy. The work was completed safely and under budget.

**Table 2: Changes in gas resources for ATP854 effective 22 January 2022**

| | 1C (PJ) | | 1P (PJ) | | 2C (PJ) | | 2P (PJ) | | 3C (PJ) | | 3P (PJ) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | New | Old | New | Old | New | Old | New | Old | New | Old | New | Old |
| ATP854P Surat Basin Qld | 90 | 22 | - | - | 194 | 47 | - | - | 398 | 101 | - | - |
| % change | +309% | | | | +313% | | | | +294% | | | |

Given the now significant gas resource in ATP 854, Blue Energy is now actively marketing the gas resources for ATP854 and is looking at the potential for early development, given the permit's location near the heart of the CSG–LNG gas supply precinct, and with gas pipeline infrastructure (PPL 30 and PL 118), linking Wallumbilla to Gladstone, running directly through the permit.

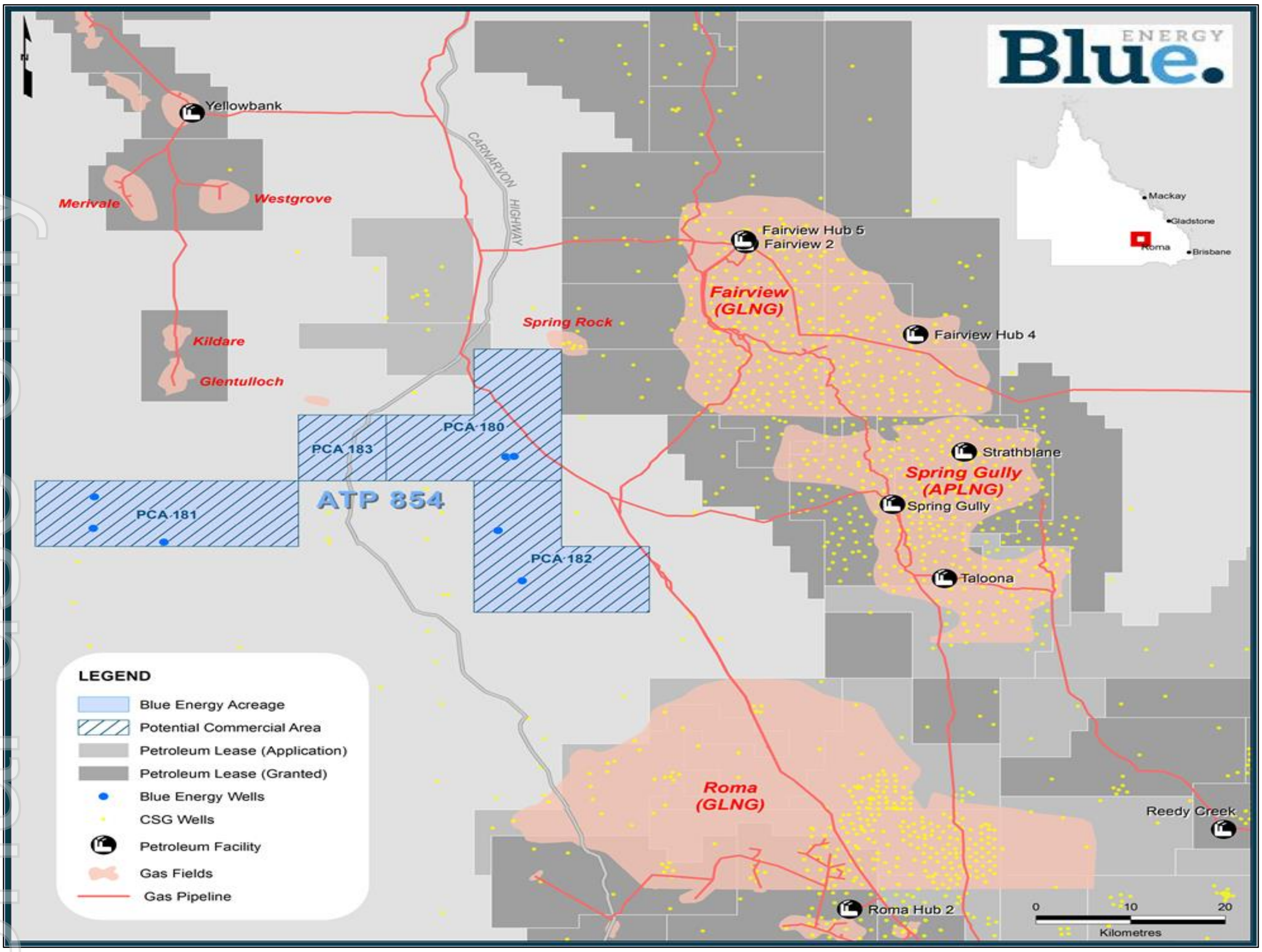


Figure 6: Location of ATP 854 in relation to existing pipeline infrastructure and major gas fields

**Galilee Basin**

**ATP813P Blue Energy (100% and Operator)**

Blue Energy has an existing 838 PJ+ of Contingent Gas Resources in ATP 813 within the Betts Creek Coal Measures in this permit (as assessed by NSAI). As previously reported, a further 1,956 PJ++ of Prospective Resource (gas in place) has been identified in the permit by NSAI.

The Company currently has a total of 9 separate but contiguous PCA applications over the ATP 813 permit currently with the Queensland Department of Resources for grant.

**Greater McArthur Basin, Northern Territory**

**EP199A, 200, 205, 206A, 207, 208A, 209A, 210A, 211A (Blue Energy farming in and Operator)**

Following the lifting on the moratorium on gas exploration activities, the Northern Territory (NT) Government has introduced many new amendments to the Petroleum, Water and Environment Acts as a result of the 135 Pepper Inquiry recommendations deemed necessary to regulate the industry to ensure it operated safely. These regulatory amendments have lengthened the approval process for all oil and gas exploration activities in the Territory. These longer approval timeframes continue to have impacts on approval of field activity in the already seasonally restricted exploration season in the NT.

The protracted and continued delays experienced due to the impact of COVID-19 with respect to remote community access has severely impeded the work of the specific regulatory bodies (Aboriginal Area Protection Authority cultural heritage certification for the Company's proposed 2D seismic program) and their work required for the approval processes required for on-ground activity.

Accordingly, and given the restricted exploration season, Blue Energy applied for and has been granted a further suspension or work commitments until February 2023. The permit timeframes have also been extended by 12 months.

Field ecological work was undertaken and completed as an input to the regulatory requirement of an Environmental Management Plan (EMP) for the contemplated seismic acquisition program in Blue Energy's three granted Greater McArthur tenements (EP 200, 205 & 207 – see Figure 6). The on ground work was undertaken along the proposed seismic lines which have previously received cultural heritage clearance/certification from the Aboriginal Areas Protection Authority (AAPA) which is an independent statutory authority responsible for overseeing the protection of Aboriginal sacred sites in the Northern Territory. The field work results were incorporated into the EMP.

Consultation is continuing with the respective Aboriginal Land Councils, Traditional Owners, pastoral landowners, government departments, and other community stakeholders on the program together with the outstanding application areas as part of the process of establishing a community licence, which is required under the new Northern Territory Government exploration activity approval process. Blue Energy is in active discussions with specific landholders to agree on Land access for the seismic survey.

**Cooper Basin**

**ATP 656, 657, 658, & 660 Cooper Basin Queensland (Blue Energy 100% - and Operator)**

The Cooper Basin area, in particular the Cooper Creek Riverine system, has been subject to sustained environmental restrictions and legislative uncertainty. Environmental activism continues in an attempt to limit exploration and production activities from occurring in the Cooper Basin. As previously advised Blue Energy entered into an agreement with an Australian energy company, whereby Blue Energy would be reimbursed for its post-grant nominal back costs. This agreement is subject to, and conditional upon approval by the Queensland Government and the grant of 9 Production Licences (PL's) applied for by Blue Energy. These PL applications were lodged by Blue Energy, and identified Origin Energy as the Australian Energy company as the new Titleholder of the subsequently awarded PL's. Completion of the transaction will occur once the transfer of the new permits from Blue Energy to Origin has been approved by the Regulator. These Production Licences are deemed to be a Right conferred on ATP exploration tenement holders issued under the Petroleum Act 1923.

**Georgina Basin and Carpentaria Basins Application Areas**

**ATP 1112, 1114, 1117, 1123 A (Blue Energy 100% and Operator)**

Blue Energy has gained resolution of the long running Native Title negotiations in the Georgina Basin application areas (ATP 1114, 1117 and 1123 applications) - which are required to facilitate grant of these areas. Blue Energy has sought and gained a ruling from the National Native Title Tribunal (NNTT) on the Company's Future Act Determination Application (FADA) which was the only avenue left to the Company given the NNTT's own mediation process failed to resolve the issue of satisfactory Traditional Owner representation. The NNTT's decision on Blue Energy's FADA grant the State the ability to award the permits to Blue Energy with conditions as specified by the NNTT. In other developments on these application's Blue Energy has sought guidance of the impact of impending Pristine Rivers Legislation in Queensland (a re-instatement of the repealed Wild Rivers Legislation) which is undergoing development with input of the Lake Eyre Basin Advisory Group. It is likely that under this prospective legislation it may not be practical to go into production following an exploration success in the permits and as such any exploration expenditure would likely be futile and unable to be converted to a producing asset. Therefore, acceptance of these areas from the State as granted permits with their commensurate work programs and statutory financial commitments may not be in the interest of the company's shareholders.

**Funding Arrangements**

The Company continues to hold sufficient cash reserves to enable continued operations. Future capital raising activities will take place if and when the Board deem that such a raising of funds is appropriate. The Directors are mindful of the Group's full exploration expenditure commitments for its various tenements, and as such potential funding options will be considered by the Group to fund these programs. Work programs are subject to change and are at times under negotiation with the regulator.

During the reporting period the Company successfully raised $10m (before transaction costs) through the issue of 199,223,376 shares.

Post Balance date, a further capital raise was undertaken and this is detailed in the "post balance date" section of these accounts.

**Financial Position**

The net assets of the Group have increased by $8.05m from 30 June 2021 to $69.79m at 30 June 2022. This represents the $10m capital raising undertaken by the Company less the operating loss of $1.495m incurred in the reporting period.

The Group posted a loss after income tax for the period of $1.495m (2021: $0.99m). The increased loss was primarily attributable to an increase in remuneration costs as the Group employed additional technical personnel in preparation for the resumption of exploration drill programs following the successful $10m capital raising.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Other than the matters disclosed elsewhere in this report, there have been no significant changes in the state of affairs of the Company and Group during the financial year.

**EVENTS AFTER BALANCE DATE**

Subsequent to the end of the reporting period, the following significant events occurred:

i. On 14 July 2022 Blue Energy announced an increase in the reserve and resource estimate for the Sapphire Block (PL 1034 application area) including a 98% increase in 2C resources and a 17% increase in 3P gas reserves. The table below presents Blue Energy's gas reserves and resources (net) as at 14 July 2022 after the resource and reserves upgrade for the Sapphire Block (PL 1034 application area):

**Table 3 Gas reserves and resources for the Group as at 14 July 2022**

| Permit | Block | Assessment Date | Announcement Date | 1P (PJ) | 1C (PJ) | 2P (PJ) | 2C (PJ) | 3P (PJ) | 3C (PJ) |
|---|---|---|---|---|---|---|---|---|---|
| ATP854P | | 22/01/2022 | 25/01/2022 | - | 90 | - | 194 | - | 398 |
| ATP813P | | 29/10/2014 | 30/10/2014 | - | - | - | 61 | - | 830 |
| ATP814P | Sapphire | 11/07/2022 | 11/07/2022 | - | 154 | 67 | 214 | 253 | 214 |
| ATP814P | Central | 21/12/2012 | 19/03/2013 | - | 50 | 12 | 99 | 75 | 306 |
| ATP814P | Monslatt | 31/12/2012 | 19/03/2013 | - | - | - | 619 | - | 2,054 |
| ATP814P | Lancewood | 30/09/2013 | 30/10/2013 | - | 5 | - | 23 | 1 | 435 |
| ATP814P | Hillalong | 27/02/2020 | 27/02/2020 | - | - | - | 182 | - | 237 |
| ATP814P | South | 30/06/2013 | 29/07/2013 | - | 15 | - | 27 | 6 | 30 |
| **Total (PJ)** | | | | **-** | **314** | **79** | **1,419** | **335** | **4,504** |

ii. On 2 August 2022, Blue Energy completed a strongly supported institutional placement to raise $20 million (before costs of the offer) through the issue of 322,580,645 new shares at $0.062 per share. The funds raised will be directed towards additional appraisal drilling and associated production testing in the North Bowen and Surat Basins, additional seismic studies and general working capital.

Apart from the above, no material events have occurred from balance date up to the date of this report.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Group expects to continue to operate as an oil and gas exploration company with specific operational focus on conventional and unconventional exploration within Queensland and the Northern Territory.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Group holds various licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.

All exploration activities have been undertaken in compliance with all relevant environmental regulations, and authorities granted to it to undertake exploration activities.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS**

The Company has an insurance policy in place to provide Directors' and Officers' liability insurance pursuant to a Deed of Indemnity entered into by the Company with each Director and certain Officers of the Group. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability as such disclosures are prohibited under the terms of the contract.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Pitcher Partners, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Pitcher Partners during or since the financial year.

The Company has not otherwise during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Group or any related body corporate against a liability incurred as such by an officer or auditor.

**EFFECTS OF COVID19**

During FY2022, Blue Energy continued to be affected by the economic impacts of the COVID19 pandemic. Blue Energy is still impacted by the continued shift in Government focus during this time, thus further slowing down the application process for PCA's and PL's. In addition, due to border closures and travel restrictions to indigenous communities in the Northern Territory, and north Queensland, some of the planned Native title consultation work in these areas remains on hold.

From a financial point of view, Blue Energy was not eligible to access the Government's Job Keeper subsidies as the Group is a non-income based business. The Group benefited from the Government's 'cash bonus' scheme to the amount of $Nil in FY2022 (FY2021: $25k). This income is disclosed as "other income" in the financial statements.

During the period, staff, Directors and consultants continued to work remotely via the Group's electronic platforms, as required and where appropriate, in accordance with State and Federal Government Health Department directives. All Directors' meetings continued on a regular basis as scheduled, but via video/virtual link, with additional meetings scheduled as required to ensure the impacts of the pandemic were fully understood, responded to, and where appropriate, plans put in place to mitigate any issues that were identified.

**REMUNERATION REPORT (Audited)**

The Company's broad remuneration policy is to ensure each remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Company's executive reward framework currently applies to Mr John Phillips (Managing Director ('MD')) and Mr John Ellice-Flint (Executive Chairman ('EC')). It has historically consisted of a cash component plus an "at risk" component (to align executive performance with total shareholder return ('TSR')). The cash component for the CEO is consistent with Blue Energy's peers. The "at risk" component of remuneration has historically been based on the Company's Employee Incentive Rights Plan ('EIRP') and, as of 13 October 2021, following Director approval, is now guided by the new Employee Equity Incentive Plan ('EIRP 2020').

The shareholder vote at the 2021 AGM passed the Remuneration Report.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
• competitiveness and reasonableness,
• acceptability to shareholders,
• transparency, and
• capital management.

The Company has structured an executive remuneration framework that is market competitive and complements the reward strategy of the organisation. Up until 30 June 2019, notwithstanding the above commentary, the Company could grant Incentive rights under the EIRP which comprise retention rights and performance rights. The EIRP utilised a formulaic method for calculating the number of performance rights to be granted to senior executives (at the Board's discretion) on an annual basis but with a three-year vesting period and TSR vesting hurdles.

As at 30 June 2019, the Board resolved that the issue of Rights under the EIRP, in its then current form, be suspended pending a simpler form of "at risk" remuneration component. The new form was approved by the Board on 13 October 2020. A copy of the new EIRP 2020 is located on the company website. The new plan is a discretionary plan that is not based on formulaic hurdles. The purpose of the Plan is to:
(a) assist in the reward, retention and motivation of Eligible Employees;
(b) link the reward of Eligible Employees to performance and the creation of Shareholder value;
(c) align the interests of Eligible Employees more closely with the interests of Shareholders by providing an opportunity for Eligible Employees to receive an equity interest in the form of Awards;
(d) provide Eligible Employees with the opportunity to share in any future growth in value of the Company; and
(e) provide greater incentive for Eligible Employees to focus on the Company's longer-term goals.

There was no grant of Rights to key management personnel in the 2022 and 2021 financial years.

**2022**

| | Salary & fees | Other short term benefits(2) | Superannuation | Other long term benefits(3) | Total | Proportion of Remuneration Performance Related | Value of Options/Rights as a Proportion of Remuneration |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | % | % |
| **Directors** | | | | | | | |
| R Cameron(1) | 59,091 | - | 5,909 | - | 65,000 | 0% | 0% |
| M Hayward(1) | 59,091 | - | 5,909 | - | 65,000 | 0% | 0% |
| TOTAL | 118,182 | - | 11,818 | - | 130,000 | 0% | 0% |
| **Executive Directors** | | | | | | | |
| J Phillips | 387,500 | 26,797 | 27,500 | 8,554 | 450,351 | 0% | 0% |
| J Ellice-Flint | 200,000 | 13,292 | 20,000 | 7,690 | 240,982 | 0% | 0% |
| TOTAL | 587,500 | 40,089 | 47,500 | 16,244 | 691,333 | 0% | 0% |
| TOTAL | 705,682 | 40,089 | 59,318 | 16,244 | 821,333 | 0% | 0% |

(1) Salary and fees include director's and Risk and Audit Committee ('RAC")fees.
(2) Current year accrued annual leave
(3) Current year accrued long service leave

**2021**

| | Salary & fees<br>$ | Other short term benefits[3]<br>$ | Superannuation<br>$ | Other long term benefits[4]<br>$ | Total<br>$ | Proportion of Remuneration Performance Related<br>% | Value of Options/Rights as a Proportion of Remuneration<br>% |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| R Cameron | 59,361[1] | - | 5,734[2] | - | 65,095 | 0% | 0% |
| M Hayward | 19,786[1] | - | 1,880 | | 21,666 | 0% | 0% |
| K Johnson[5] | 24,734[1] | - | 2,445[2] | - | 27,179 | 0% | 0% |
| TOTAL | 103,881 | - | 10,059 | - | 113,940 | 0% | 0% |
| **Executive Directors** | | | | | | | |
| J Phillips | 390,000 | 21,201 | 25,000 | 10,727 | 447,728 | 0% | 0% |
| J Ellice-Flint | 200,000 | 13,298 | 19,095[2] | 6,597 | 238,990 | 0% | 0% |
| TOTAL | 590,000 | 35,296 | 44,095 | 17,324 | 686,718 | 0% | 0% |
| TOTAL | 693,881 | 35,299 | 54,154 | 17,324 | 800,658 | 0% | 0% |

(1) Salary and fees include director's and Risk and Audit Committee ('RAC")fees.
(2) Superannuation inclusive of $95 additional Superannuation for each director, representing the superannuation paid on the cash element of the rights that vested on 30 June 2021.
(3) Current year accrued annual leave.
(4) Current year accrued long service leave.
(5) Resigned 10 November 2020

**Details of Remuneration of Directors and Other Key Management Personnel**

**Directors**
On appointment to the Board, all Directors agree to terms of appointment as set out in a letter of appointment. The letter sets out the remuneration applicable and other matters such as general Directors' duties, compliance with the Company's Corporate Governance Policies, access to independent professional advice and confidentiality obligations.

Blue Energy currently has an executive chairman, Mr John Ellice-Flint whose remuneration is detailed above.

Non-executive Directors receive fees of $60,000 (2021: $60,000) per annum, inclusive of Superannuation Guarantee where applicable. Directors who are appointed to committees of the Board receive an additional $5,000 (2021: $5,000) per annum per committee position inclusive of compulsory superannuation where applicable. There are no termination payments applicable. The terms of appointment also include the reimbursement of reasonable business-related expenses including accommodation and other expenses that a Director or other Executive properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending any meetings of Members and in connection with the business of the Group. A Director may be paid fees or other amounts as the Directors determine where a Director performs duties or provides services outside the scope of their normal Director's duties.

Mr John Phillips (MD/CEO) – Mr Phillips contract was renewed in August 2021 with the contract term of 3 years effective from 1 July 2021 until 1 July 2024 and incorporates various termination clauses in the event of breaches by either party up to a maximum of nine months' total fixed remuneration in lieu of notice or otherwise on three months' notice. In June 2022, Mr Phillips has been awarded nil (2021: nil) performance rights under the new EIRP 2020.

Mr John Ellice-Flint (EC) - On 15 February 2012, the Company entered into an employment agreement with Mr John Ellice-Flint which was approved by Shareholders (5 April 2012) confirming his appointment as a Director. The employment agreement provides for a termination payment equal to one year's base salary if the Company terminates Mr Ellice-Flint's employment other than in certain circumstances. Mr Ellice-Flint can terminate the agreement by giving one month's notice to the Company. The agreement terminates automatically if he is removed as a Director under Part 2D.6 of the Corporations Act and Mr Ellice-Flint must resign as a director if his employment agreement is terminated for any reason. In June 2022, Mr Ellice-Flint has been awarded nil (2021: nil) performance rights under the new EIRP 2020.

**Other Key Management Personnel**
Key Management Personnel may be employed by the Company under a contract.

At the date of this report, no other employees were considered to be key management personnel.

**Elements of Remuneration Related to Performance**
Mr John Phillips and Mr John Ellice-Flint's "at risk" remuneration is governed by the new EIRP 2020. (ref comments above). The EIRP 2020 can be viewed on company website [www.blueenergy.com.au](http://www.blueenergy.com.au).

No element of any Director's or Executive's remuneration is currently dependent on the satisfaction of a related individual performance condition.

**Interests in Options and Employee Incentive Rights of the Company**

**2022 and 2021**

There are currently no interests in options and employee incentive rights over ordinary shares in Blue Energy Limited held directly, indirectly or beneficially by Directors or Key Management Personnel (2021: NIL).

**Interests in Shares of the Company**

The movement during the year and to the date of this report in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| 2022 | Balance at 30 June 2021 Number | Granted as compensation Number | Off Market Purchase Number | Net Change Other Number(1) | Balance at 30 June 2022 Number |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| J Ellice-Flint | 125,772,734 | - | - | - | 125,772,734 |
| J Phillips | 32,460,806 | - | - | - | 32,460,806 |
| R Cameron | 5,952,826 | - | - | - | 5,952,826 |
| M Hayward | - | - | - | - | - |
| TOTAL | 165,472,526 | - | - | - | 165,472,526 |

| 2021 | Balance at 30 June 2021 Number | Granted as compensation Number | Off Market Purchase Number | Net Change Other Number(1) | Balance at 30 June 2022 Number |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| J Ellice-Flint | 123,950,148 | - | - | 1,822,586 | 125,772,734 |
| J Phillips | 32,460,806 | - | - | - | 32,460,806 |
| R Cameron | 5,899,240 | - | - | 53,586 | 5,952,826 |
| M Hayward | - | - | - | - | - |
| K Johnson(1) | 1,232,574 | - | - | 53,586 | 1,286,160 |
| TOTAL | 163,542,768 | - | - | 1,929,758 | 165,472,526 |

(1) Resigned 10/11/20

There have been no movements in directors' shareholdings from balance date to the date of the directors' report.

**OVERVIEW OF GROUP PERFORMANCE**

The Group is currently non-revenue generating. The table below sets out information about the Group's performance in the past five years up to and including the current financial year:

| | **2022** | **2021** | **2020*** | **2019*** | **2018** |
|---|---|---|---|---|---|
| Loss after tax | $1.49m | $0.99m | $5.06m | $5.88m | $1.58m |
| Share price at year end | $0.070 | $0.064 | $0.038 | $0.044 | $0.091 |
| Profit/(Loss) per share – basic (cents) | (0.10) | (0.07) | (0.38) | (0.45) | (0.14) |

* Losses impacted by exploration impairment or write off.

**End of Audited Remuneration Report**

**UNISSUED SHARES FOR KEY MANAGEMENT PERSONNEL AT BALANCE DATE**

At balance date there were no unissued ordinary shares under option and Nil unissued ordinary shares under KMP employee incentive rights.

**OPTIONS OVER SHARES**

During the year no options were granted (2021: Nil).

**INCENTIVE RIGHTS**

During the year 512,599 Incentive Rights with an exercise price of $Nil and an expiry date of 30 June 2026 were issued to employees other than key management personnel pursuant to the Company's Employee Incentive Rights Plan. As at 30 June 2022 and the date of this report none of the incentive rights were vested or exercisable. (2021: Nil Incentive Rights issued).

From 30 June 2022 to the date of this report no shares have been issued as a result of the exercise of rights.

**EMPLOYEE OPTIONS AND INCENTIVE RIGHTS**

On 13 October 2020 the Directors approved a new Employee Equity Incentive Plan ("EIRP 2020") which superseded the previous Employee Incentive Rights Plan ("EIRP'') which was first implemented in 2010/11. The purpose of the new plan was to implement a simpler form of "at risk'' remuneration component. Equity incentives are now granted at the discretion of the Board rather than based on a prescribed formulaic method.

As at the date of this report 512,599 Equity incentives have been issued to employees who are not key management personnel.

**DIRECTORS' MEETINGS**

The number of meetings of Directors (and Committees of Directors) held and number of meetings attended by each of the Directors of the Company during the financial year was as follows:

| | Numbers of meetings of full Board | | Risk and Audit Committee | |
|---|---|---|---|---|
| | **Entitled to & Held** | **Attended** | **Held** | **Attended** |
| J Ellice-Flint | 10 | 10 | * | * |
| J Phillips | 10 | 10 | * | * |
| R Cameron | 10 | 10 | 4 | 4 |
| M Hayward | 10 | 10 | 4 | 4 |

* Not a member of the relevant Committee.

The Nomination and Environmental Committee functions are currently handled by the full Board of Directors. This is considered appropriate at the current stage of the Group's development but will be reviewed from time to time.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

At 30 June 2022, 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.

**MATERIAL BUSINESS RISKS**

Gas exploration activity, especially drilling, is considered by its nature to be high-risk and is affected by risks and uncertainties, some of which are beyond the Group's reasonable control. The uncertainties arise from a range of factors, including the nature of the gas exploration industry and changing economic factors. The business risks assessed as having the potential to have a material impact on the business, operating and/or financial results and performance of the Group include:

*Exploration Activity Risk*

Oil and gas exploration activity, especially drilling, is considered by its nature to be high-risk and is affected by numerous factors. Drilling operations can be affected by breakdowns, adverse weather conditions, site and geographical conditions, operational risks, shortage or delays in the delivery of rigs and/or other equipment, industrial disputes, government regulations, environmental issues and unanticipated costs. Hazards incident to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures or other factors are inherent in drilling and operating wells and may be encountered by Blue Energy. Exploration may be unsuccessful, and may prove to be more costly than expected or the proposed timing of exploration may not be achieved.

To maximise the possibility of success in its exploration activities, Blue Energy seeks to employ technical staff of the highest calibre and to engage proven contractors and service providers to plan and implement its exploration and development programs.

*Governmental and Regulatory Risk*

Blue Energy's current and future exploration, development and production activities are subject to various laws and statutory regulations governing exploration, development, production, taxes, royalty payments, labour standards and occupational health, mine safety, toxic substances, land use, water use, communications, land claims of local people and other matters, and to obtaining and maintaining the necessary titles, authorisations, permits and licences.

No assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be applied in a manner which could have an adverse effect on Blue Energy's financial position and results of operations, or on the success of its exploration and development projects.

Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against Blue Energy, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Continuous monitoring of legislative and regulatory changes and associated risks is undertaken and regular engagement with regulators and governments supports the management of risks arising from these changes.

*Native Title and Land Access Risk*

In addition, Blue Energy requires access to traditional, private and public lands which its exploration and production tenures overlay. Exploration activities may be adversely impacted or delayed if Blue Energy is unable to negotiate access or entry agreements to those lands, or if disputes arise in relation to negotiated land access and entry agreements.

Blue Energy works closely with Traditional Owners, private and public landholders and other stakeholders to develop positive working relationships with those parties and to ensure that they are kept informed of Blue Energy's proposed and actual activities.

*Reserve and Resource Estimates Risk*

Hydrocarbon reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice of independent experts. In addition, such estimates are necessarily imprecise and depend to a significant extent on interpretations, which may prove inaccurate. The calculation of any possible volume of hydrocarbons in a prospect may be proved incorrect by future exploration, production, mapping and/or drilling activity. Further, there is no guarantee that estimated reserves and resources can be profitably exploited.

Blue Energy engages highly reputable and independent international experts to review its reserve and resource estimates on a regular basis. The expert used by Blue Energy will adhere to reserve and resource estimation methodology and technique Standards that are required by the respective jurisdictional Regulators and specifically utilise SPE/PRMS 2018 Guidelines.

*Dependence upon key personnel*

Blue Energy's success depends in part on the core competencies of the Directors and management and the ability of the Group to retain key personnel. Loss of key personnel could have an adverse impact on the Group's performance. Blue Energy has in place employment arrangements designed to secure and retain the services of key personnel.

*Health, safety and environment*

The nature and complexity of Blue Energy's operations pose risks in relation to the health and safety of employees and contractors, and a range of environmental risks exist when carrying out exploration and production activities. Environmental incidents, and real or perceived threats to the environment or the amenity of local communities, could result in a loss of Blue Energy's licence to operate, leading to delays, disruption or the shut-down of exploration and production activities. Blue Energy's field activities are conducted pursuant to and compliant with the conditions contained in its Environmental Authorities (specific to each granted permit) granted Qld Department of Environment and Science.

Blue Energy has developed detailed environmental, health and safety management plans to protect the safety and well-being of the environment and Blue Energy's employees, contractors and communities.

*Access to capital and liquidity*

Blue Energy's business and, in particular its exploration and development activities, relies on access to equity financing. The ability to secure financing, or financing on acceptable terms, may be adversely affected by volatility in the financial markets. These effects may be global or affecting a particular geographic region, industry or economic sector.

A major focus of Blue Energy's Board and management is on ongoing cash flow forecasting and management of cash flows to ensure that the Group has sufficient funds to cover its planned activities and any ongoing obligations.

*Climate change risk*

Blue Energy recognises that climate change is a global phenomenon and that global, country and state specific policies in response to a changing climate may affect the Group through increased regulation and costs. Blue Energy identifies climate change regulation as a strategic risk that ultimately may affect the Group's future operating and financial performance. The regulatory risks and perception of the speed of a changing climate may have direct and indirect adverse impacts on the Group's operations or customer markets, including capital markets.

The Company remains alert to scenarios around domestic and global policy trends caused by a changing climate, and how these might impact the Group's activities.

**RISK MANAGEMENT**

Blue Energy manages the risks listed above, and other day-to-day risks through an established enterprise-wide risk management framework. Blue Energy's risk reporting and control mechanisms are designed to ensure strategic, safety, environment, operational, legal, financial, tax, reputational and other risks are identified, assessed and appropriately managed.

The financial reporting and control mechanisms are reviewed during the year by management, the Risk and Audit Committee and the external auditor.

Senior management and the Board regularly review the risk portfolio of the business and the effectiveness of the Group's management of those risks.

## CORPORATE GOVERANCE STATEMENT

The Directors and management of Blue Energy are committed to maintaining high standards of corporate governance to ensure that it operates in the best interests of shareholders.

During the year ending 30 June 2022 the Company continues to work towards implementing corporate governance practices and policies as outlined in the ASX Corporate Governance Council's Principles and Recommendations (4th Edition) ("ASX Recommendations"). Details of these recommendations that Blue Energy have adopted and those that have not been fully complied with are outlined in the Company's annual Corporate Governance Statement.

Where there is deviation from the ASX Recommendations, the Company continues to review and update its policies and practices in order that these are consistent with the growth of the Company, the broadening of its activities, current legislation and good practice.

The ASX Corporate Governance Council's (The Council) recommendations are not prescriptive but are rather guidelines. If certain recommendations are not appropriate for the Company given its circumstances, it may elect not to adopt that particular practice in limited circumstances. Where the Company's practices do not correlate with the ASX Recommendations, the Company does not consider that the recommended practices are appropriate, due to either the size of the Board or management team, or due to the current activities and operations being carried out by and within the Company.

A copy of Blue Energy's 2022 Corporate Governance Statement, which provides detailed information about governance and a copy of Blue Energy's Appendix 4G which sets outs the Company's compliance with the recommendations in the 4th Edition of the ASX Recommendations is available on the corporate governance section of the Company's website at: www.blueenergy.com.au.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 18 and forms part of the Directors' Report for the year ended 30 June 2022.

## NON-AUDIT SERVICES

The Group's auditor, Pitcher Partners have only provided audit services during the current and prior financial year. The company has in place processes to ensure that the nature and scope of each type of any non-audit service provided does not compromise the general principles relating to Auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional and Ethical Standards Board. Details of the amounts paid to the auditor of the Group, Pitcher Partners, are set out in note 6.6.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and the financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

This report has been signed in accordance with a resolution of the Board of Directors made pursuant to s298 (2) of the *Corporations Act 2001*.

For and on behalf of the Directors:

John Ellice-Flint
Chairman
Brisbane
13 September 2022

Level 38, 345 Queen Street
Brisbane, QLD 4000

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GPO Box 1144
Brisbane, QLD 4001

*p.* +61 7 3222 8444

The Directors
Blue Energy Limited
Level 10, 26 Wharf Street
Brisbane QLD 4000

**Auditor's Independence Declaration**

In relation to the independent audit for the year ended 30 June 2022, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards).*

This declaration is in respect of Blue Energy Limited and the entities it controlled during the year.

Pitcher Partners
PITCHER PARTNERS

J. Evans
JASON EVANS
Partner

Brisbane, Queensland
13 September 2022

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**Independent Auditor's Report to the Members of Blue Energy Limited**
**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Blue Energy Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

*Material Uncertainty Related to Going Concern*

We draw attention to note 2.1.2 in the financial report, which describes events and/or conditions which indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Exploration and evaluation expenditure – Impairment**<br><br>***Note 3.1: Exploration and Evaluation Expenditure*** | |
| The Group is involved in exploration and evaluation activities of oil and gas areas of interest.<br><br>We consider the carrying value of the Exploration and Evaluation Assets (at 30 June 2022: $64,850,000) to be a key audit matter given the significant of the balance to the financial statements and judgements used regarding future exploration plans and tenure status in determining whether the assets should continue to be capitalised.<br><br>AASB 6 Exploration for and Evaluation of Mineral Resources requires the exploration and evaluation assets to be assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.<br><br>As disclosed in Note 3.1 to the financial statements, management performed an assessment for impairment indicators at 30 June 2022 in accordance with the accounting policy described in the same note which required management to make certain judgements and assumptions as to future events and circumstances surrounding the continued tenure and ongoing exploration in the relevant areas of interest.<br><br>Management did not identify any impairment indicators. | Our procedures included:<br><br>• Understanding and evaluating the design and implementation of the control environment through which exploration and evaluation expenditure is incurred, recorded and assessed for impairment;<br>• Obtaining an understanding of the status of ongoing exploration programs and future intentions for the areas of interest, including future budget spend and related work programs;<br>• Enquiring of management and reviewed ASX announcements and minutes of Directors meeting to ensure the Group had not decided to discontinue exploration and evaluation in its areas of interest;<br>• Evaluating and challenging the Director's estimates and assumptions included in their assessment of potential indicators of impairment;<br>• On a sample basis testing expenditure incurred by inspecting supporting documentation and assessing whether the relevant expenditure meets the asset recognition requirements of AASB 6 Exploration for and Evaluation of Mineral Resources;<br>• Considering whether the Group's right to explore was current by inspecting supporting documents such as licence agreements; and<br>• Assessing the adequacy of the related disclosures made in Note 3.1 of the financial statements. |

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 13 to 15 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of Blue Energy Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

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.

Pitcher Partners

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
13 September 2022

**Blue Energy Limited**
**Consolidated Statement of Comprehensive Income**
**FOR YEAR ENDED 30 June 2022**

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Other income | 6.1 | 15 | 42 |
| **Total Income** | | **15** | **42** |
| Operating and administration expenses | 6.3 | (1,499) | (1,037) |
| Expenses for equity settled share based payments | 5.2 | (11) | - |
| **Loss before income tax** | | **(1,495)** | **(995)** |
| Income tax benefit/(expense) | 6.4 | - | - |
| **Loss after income tax expense** | | **(1,495)** | **(995)** |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive loss for the year** | | **(1,495)** | **(995)** |
| **Total comprehensive loss for the year attributable to:** | | | |
| Owners of the parent | | (1,495) | **(995)** |
| **Total comprehensive loss for the year** | | **(1,495)** | **(995)** |
| Loss per share (cents per share): | | | |
| - basic | 6.5 | (0.10) | (0.07) |
| - diluted | 6.5 | (0.10) | (0.07) |

**The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.**

**Blue Energy Limited**
**Consolidated Statement of Financial Position**
**AS AT 30 June 2022**

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 4.1 | 6,855 | 1,955 |
| Trade and other receivables | | 192 | 86 |
| **Total Current Assets** | | **7,047** | **2,041** |
| | | | |
| **Non-Current Assets** | | | |
| Plant and equipment | | 43 | 6 |
| Right of use assets | | 70 | 115 |
| Trade and other receivables | | 169 | 169 |
| Exploration & evaluation expenditure | 3.1 | 64,850 | 60,971 |
| **Total Non-Current Assets** | | **65,132** | **61,261** |
| **TOTAL ASSETS** | | **72,179** | **63,302** |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 4.3 | 1,376 | 197 |
| Lease Liability | | 45 | 43 |
| Provisions | 3.2.2 | 597 | 715 |
| **Total Current Liabilities** | | 2,018 | **955** |
| | | | |
| **Non-Current Liabilities** | | | |
| Lease Liability | | 28 | 68 |
| Provisions | 3.2.2 | 343 | 539 |
| **Total Non-Current Liabilities** | | 371 | **607** |
| **TOTAL LIABILITIES** | | **2,389** | **1,562** |
| | | | |
| **NET ASSETS** | | **69,790** | **61,740** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 5.1 | 149,531 | 139,997 |
| Reserves | 5.2 | 8,834 | 8,823 |
| Accumulated losses | | (88,575) | (87,080) |
| **TOTAL EQUITY** | | **69,790** | **61,740** |

**The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.**

**Blue Energy Limited**
**Consolidated Statement of Changes in Equity**
**FOR THE YEAR ENDED 30 June 2022**

| | Issued Capital $'000 | Accumulated Losses $'000 | Reserves $'000 | Total Equity $'000 |
|---|---|---|---|---|
| **Balance at 30 June 2020** | **139,997** | **(86,085)** | **8,823** | **62,735** |
| **Total comprehensive loss** | | | | |
| Loss for the year | - | (995) | - | (995) |
| **Total comprehensive loss for the year** | - | (995) | - | (995) |
| **Transaction with owners in their capacity as owners** | | | | |
| Issue of new shares | - | - | - | - |
| Capital raising costs | - | - | - | - |
| **Total transactions with owners** | - | - | - | - |
| **Balance at 30 June 2021** | **139,997** | **(87,080)** | **8,823** | **61,740** |

| | Issued Capital $'000 | Accumulated Losses $'000 | Reserves $'000 | Total Equity $'000 |
|---|---|---|---|---|
| **Balance at 30 June 2021** | **139,997** | **(87,080)** | **8,823** | **61,740** |
| **Total comprehensive loss** | | | | |
| Loss for the year | - | (1,495) | - | (1,495) |
| **Total comprehensive loss for the year** | - | (1,495) | - | (1,495) |
| **Transaction with owners in their capacity as owners** | | | | |
| Issue of new shares | 9,967 | - | - | 9,967 |
| Capital raising costs | (433) | - | - | (433) |
| Option expense – share based payments | - | - | 11 | 11 |
| **Total transactions with owners** | 9,534 | - | 11 | 9,545 |
| **Balance at 30 June 2022** | **149,531** | **(88,575)** | **8,834** | **69,790** |

**The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.**

**Blue Energy Limited**
**Consolidated Statement of Cash Flows**
**FOR THE YEAR ENDED 30 June 2022**

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts of refunds of GST, other tax credits and government grants | | 310 | 163 |
| Payments to employees | | (629) | (342) |
| Payments to suppliers | | (1,319) | (728) |
| Interest received | | 15 | 20 |
| **Net cash flows used in operating activities** | 4.1 | **(1,623)** | **(887)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (44) | - |
| Funds provided for exploration and evaluation | | (2,929) | (1,456) |
| **Net cash flows used in investing activities** | | **(2,973)** | **(1,456)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Repayment of lease liabilities | | (38) | - |
| Proceeds from share issue | | 9,967 | - |
| Capital raising costs | | (433) | (8) |
| **Net cash flows provided by / (used in) financing activities** | | **9,496** | (8) |
| | | | |
| Net (decrease)/increase in cash and cash equivalents held | | 4,900 | (2,351) |
| Cash and cash equivalents at beginning of financial year | 4.1 | 1,955 | 4,306 |
| **Cash and cash equivalents at end of financial year** | 4.1 | **6,855** | **1,955** |

**The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.**

## 1. CORPORATE AND GROUP INFORMATION

The financial statements of Blue Energy Limited ("the Company") and controlled entities ("the Group") for the financial year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 13 September 2022. Blue Energy Limited is a for-profit company limited by shares, incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Stock Exchange. The registered office and principal place of business is located at Level 10, 26 Wharf Street, Brisbane, Queensland 4000.

The consolidated financial statements include the financial statements of Blue Energy Limited and the subsidiaries listed in the following table.

| Name | State/Country of Incorporation | Percentage Owned (%) 2022 | 2021 |
|---|---|---|---|
| Blue Energy (Qld) Pty Ltd | New South Wales | 100% | 100% |
| Eureka Petroleum Pty Ltd | Queensland | 100% | 100% |
| Kompliment Pty Ltd | Western Australia | 100% | 100% |
| Everdue Pty Ltd | Western Australia | 100% | 100% |
| Energy Investments PNG Pty Ltd | Western Australia | 100% | 100% |
| Galilee Pipelines Pty Ltd | Queensland | 100% | 100% |
| Blue Energy (Wiso) Pty Ltd | Queensland | 100% | 100% |
| Blue Energy (Maryborough) Pty Ltd | Queensland | 100% | 100% |

The Group has one business activity, being the exploration for gas and petroleum resources. This activity is carried out in a single significant geographical segment, being Australia, principally in Queensland and Northern Territory.

The financial statements of Blue Energy Limited and its controlled entities and Blue Energy Limited as an individual parent entity, comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), in their entirety.

## 2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

#### 2.1.1 Overview

The financial statements of Blue Energy Limited and its controlled entities are general purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements have been prepared on an accrual and historical costs basis, modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The financial statements are presented in Australian dollars.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

#### 2.1.2 Going concern

As the Group's assets are in the exploration and evaluation phase, Blue Energy Limited is currently non-revenue generating. As such, a major focus of the Board and management is on ongoing cash flow forecasting and management of cash flows to ensure that the Group has sufficient funds to cover its planned activities and any ongoing obligations.

Furthermore, it is recognised that the Group's cash and cash equivalents at 30 June 2022 are not sufficient for it to meet its full exploration expenditure commitments for its various tenements over the full terms of all its exploration tenures or facilitate an expanded exploration program should the Group elect to do so. In addition, the Group's ability to realise the carrying amount of its capitalised exploration and evaluation expenditure asset in the ordinary course of business, is contingent on it maintaining tenure for various areas of interest and being able to access tenements to be able to advance exploration and evaluation efforts.

### 2.1.2 Going concern (continued)

This being the case, the Group is:

- Seeking approval of applications for renewal of tenures that have expired and/or grant of higher tenure types (PLAs and PCAs) allowed under Queensland petroleum and gas regulations in respect of its Queensland tenements and resolving access and activity approval (regulatory and community licence approvals) related issues to its Northern Territory tenements (as referred to in note 3.1)
- Negotiating with government on work programs for grant of renewals and higher tenure forms and negotiating tenure timeframes to carry out the exploration and evaluation activities or grant of higher tenure under the respective Regulatory provisions
- Considering Joint Venture partners to enable it to meet required exploration commitments, in exchange for an interest in the tenements, and
- Considering other alternative funding options including equity funding options.

Subsequent to year end, the Group has successfully raised $20 million in equity funding, refer note 7.3. On this basis and considering the other matters noted above, the Directors are of the opinion the Group has sufficient funds to meet its debts as and when they fall due and realise its assets and settle its liabilities in the ordinary course of business. Should the Directors not be able to manage these inherent uncertainties and successfully secure funding or modify the amount or timing of the Group's exploration and expenditure commitments, there would be a material uncertainty which would cast significant doubt as to whether the Group would be able to meet its debts as and when they fall due and therefore continue as a going concern. Accordingly, the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities may be necessary should the Group be unsuccessful in renegotiating or deferring its exploration expenditure commitments, attracting joint venture partners for the Group's exploration expenditure commitments and/or raising additional capital.

### 2.1.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group has retained 100% ownership of all of its subsidiaries throughout the year ended 30 June 2022 (2021:100%). All accounting policies of the subsidiaries are consistent with the policies adopted by the Parent.

## 2.2 Significant accounting policies

The Group has included the various significant accounting policies within each of the related qualitative and quantitative associated notes below.

### 2.2.1 Impairment of assets

At each reporting date, the Group reviews the carrying amount 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 statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

## 2.3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in the associated notes, the Directors make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience, the best available current information and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 2.3.1 Recovery of deferred income tax assets

Judgement is required in determining whether deferred income tax assets are recognised in the statement of financial position. Deferred income tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred income tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred income tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods. Due to these uncertainties, deferred tax assets have not been recognised.

### 2.3.3 Reserve and resource estimates

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas tenements. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and other capital costs. The carrying amount of oil and gas development assets at 30 June 2022 is shown in Note 3.1. The Group estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets may be affected due to changes in estimated future cash flows;
- Provisions for decommissioning may change — where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities; and
- The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

### 2.3.4 Exploration and evaluation assets

The Group's policy for exploration and evaluation is outlined in Note 3.1. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off through the Statement of Comprehensive Income.

### 2.3.5 Share based payments

In the determination of share based payment expenses, judgement is involved in the determination of the non-market vesting conditions of share based payments. The non-market vesting condition requiring judgement is the likelihood of service conditions being met. Fair value of rights and options, including market based vesting conditions, were determined upon the issue of rights or options in question and were performed by external advisors. Refer note 5.2 for details of share based payments made during the period.

### 2.3.6 Provision for rehabilitation

Land rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and oil and gas properties. The Group assesses its oil and gas rehabilitation provision at each reporting date. The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities include: dismantling and removing structures; rehabilitating well sites and dams or ponds; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas. Factors that will affect this liability include changes in regulations, prices fluctuations, changes in timing of cash flows and changes in interest rates. When these factors change or are known in the future, such differences will impact the rehabilitation provision in the period in which it becomes known.

## 2.4 New accounting standards and interpretations adopted

**New and amended Standards**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in current or future periods.

**New standards, amendments and interpretations effective after 1 July 2022 and have not been early adopted**

A number of new standards, amendments to the standards and interpretations are effective for annual periods beginning after 1 July 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Group.

## 3 INVESTED CAPITAL

### 3.1 Exploration and evaluation expenditure

The ultimate recoupment of the expenditure on oil and gas interests is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at amounts at least equal to the book value.

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Exploration and evaluation expenditure acquired | 13,648 | 13,648 |
| Other exploration and evaluation expenditure capitalised | 81,415 | 77,327 |
| Restoration costs (Note 3.2.2) | 655 | 864 |
| Accumulated impairment of exploration and evaluation expenditure | (30,868) | (30,868) |
| **Total exploration & evaluation expenditure** | **64,850** | **60,971** |

As noted in the directors' report, in respect of ATP 813P, ATP 814P and ATP 854P Permits, the Group has lodged Petroleum Lease (PL's), Potential Commercial Areas (PCA's) and/or ATP renewal applications covering these tenures with the Department of Resources prior to the expiry date of the respective Permits. Tenure for these permits continue in force until determination is made by the Department of Resources. The Group is not aware of any reasons why these Permits will not be renewed. Furthermore, EP 200, EP 205 and EP 207 expire on 15 February 2023. These Permits are under suspension as granted by the government as a result of ongoing delays in approval processes from Government and COVID19. The suspension is in place until February 2023 by which time several outstanding issues for exploration may be resolved. In the absence of such approval process resolution a further suspension may be sought.

**Exploration and evaluation expenditure accounting policy**

Exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

(i) Pre-licence costs:
Pre-licence costs are expensed in the period in which they are incurred.

(ii) Licence and property acquisition costs:
Exploration licence and leasehold property acquisition costs are capitalised in intangible assets.
Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and that sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs are written off through the statement of other comprehensive income. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

(iii) Exploration and evaluation costs:
Exploration and evaluation activities involve the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors. Exploration and evaluation assets are subsequently measured at cost less accumulated impairment.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through the statement of comprehensive income as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. No amortisation is charged during the exploration and evaluation phase.

All capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at each period end. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the statement of comprehensive income.

**Exploration and evaluation expenditure accounting policy (cont.)**

Capitalised exploration costs are reviewed at each reporting date to determine whether there is an indication of impairment, generally on a licence-by-licence basis. Impairment indicators include:

- the exploration licence has expired and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration and appraisal activities have not led to the discovery of economically recoverable reserves and no further activity on the licence is planned; and
- sufficient information exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where such indicators exist, an impairment test is performed. An impairment loss is recognised in the statement of comprehensive income when the carrying amount of the capitalised exploration costs exceeds its recoverable amount.

### 3.2 Provisions

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Current** | | |
| Provision for annual leave | 126 | 250 |
| Provision for restoration and rehabilitation(1) | 313 | 326 |
| Provision for long service leave | 158 | 139 |
| **Balance at 30 June** | **597** | **715** |
| | | |
| **Non current** | | |
| Provision for restoration and rehabilitation(1) | 342 | 538 |
| Provision for long service leave (2) | 1 | 1 |
| **Balance at 30 June** | **343** | **539** |

(1) Future estimated costs for the restoration and rehabilitation of areas affected by exploration activities. The total provision decreased by $208k during the year,

(2) During the year an additional $19k of long service leave was accrued.

## 4 WORKING CAPITAL AND FINANCIAL RISK MANAGEMENT

### 4.1 Cash and cash equivalents

For the purposes of the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Cash at bank and in hand | 1,909 | 322 |
| Short-term deposits | 4,568 | 1,301 |
| Other restricted deposits | 378 | 332 |
| **Total** | **6,855** | **1,955** |

The restricted deposits of $378k (2021: $332k) are bank guarantees secured by term deposits relating to financial assurances for ATPs held by Blue Energy Limited and its subsidiaries.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of about three months at a time and earn interest at the short-term deposit rate. Effective interest rate on the short-term deposits was 0.49% (2021: 0.22%) at year end.

**Cash and cash equivalents accounting policy**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

## 4 WORKING CAPITAL AND FINANCIAL RISK MANAGEMENT (cont.)

**Reconciliation of the loss after tax to the net cash flows from operations**

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Loss after income tax | (1,495) | (995) |
| *Adjustments for non-cash items* | | |
| Cash flows excluded from profit/(loss) attributable to operating activities: | | |
| Depreciation | 52 | 49 |
| Share options expensed | 11 | - |
| Other non-cash items | - | (25) |
| *Changes in assets and liabilities* | | |
| Decrease/(increase) in trade debtors and receivables | (105) | 13 |
| Decrease/(increase) in ROU leases | - | (49) |
| (Decrease)/increase in trade creditors, accruals, sundry provisions | 19 | 57 |
| Increase/(decrease) in provisions and employee entitlements | (105) | 63 |
| **Net cash used in operating activities** | **(1,623)** | **(887)** |

### 4.2 Financial risk management

#### 4.2.1 Financial risk management policies

The Group's activities expose it to liquidity risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial position of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates.

**Financial risk exposures and management**

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

*Liquidity risk*

The Group and parent entity manages liquidity risk by monitoring and managing forecast cash flows. On a monthly basis management review cashflows and consider short and long term cash forecasts and any implications to the Group's liquidity. Cash is held in term deposits to maximise interest income however deposit terms approximate 3 months to ensure the Group has sufficient available funds to meet its cash obligations. In addition, Management regularly review all amounts held as guarantees/restricted deposits to ensure any restrictions are lifted as soon as possible. Refer to 4.2.2 'Financial instrument composition and maturity analysis'.

*Interest rate risk*

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk:

| 2022 | Note | Annual Weighted Average Interest Rate | Fixed Interest Rate $'000 | Floating Interest Rate $'000 | Non-Interest Bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash at bank and in hand | 4.1 | - | - | 1,909 | - | 1,909 |
| Short-term deposits | 4.1 | 0.49% | 4,946 | - | - | 4,946 |
| Trade and other receivables | | - | - | - | 192 | 192 |
| **Total** | | | **4,946** | **1,909** | **192** | **7,047** |
| **Financial Liabilities** | | | | | | |
| Trade and other payables | 4.3 | - | - | - | 1,376 | 1,376 |
| **Total** | | **-** | **-** | **-** | **1,376** | **1,376** |

Lease liabilities have a fixed rate of interest and are not exposed to interest rate risk.

For the year ended 30 June 2022

**4 WORKING CAPITAL AND FINANCIAL RISK MANAGEMENT (cont.)**

| 2021 | Note | Annual Weighted Average Interest Rate | Fixed Interest Rate $'000 | Floating Interest Rate $'000 | Non-Interest Bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash at bank and in hand | 4.1 | - | - | 322 | - | 322 |
| Short-term deposits | 4.1 | 0.64% | 1,633 | - | - | 1,633 |
| Trade and other receivables | | - | - | - | 86 | 86 |
| **Total** | | | **1,633** | **322** | **86** | **2,041** |
| **Financial Liabilities** | | | | | | |
| Trade and other payables | 4.3 | - | - | - | 197 | 197 |
| **Total** | | **-** | **-** | **-** | **197** | **197** |

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. The Group has bank guarantee facilities in place totalling $378k (2021: $332k). Refer to 4.2.2 'Interest rate sensitivity analysis'.

**Capital management**
The Group maintains a system of controls which provide for continual monitoring of future cash flow requirements, allowing it to put in place appropriate facilities to ensure that sufficient funds are available to fund the Group's activities in the short to medium term.

The Group's underlying objectives with respect to managing capital are to safeguard their ability to continue as a going concern to enable the Group to operate to increase shareholder value. While the Group's activities comprise mainly exploration and appraisal operations, funding through equity, rather than debt, is considered to be the most appropriate capital structure.

There were no changes to the Group's approach to capital management or the financial risk management policies during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 4.2.2 Financial instruments

**Financial instrument composition and maturity analysis**
The following tables reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

The ageing analysis of trade and other receivables is as follows:

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Less than 90 days | | 161 | 86 |
| 91 days + | | 200 | 169 |
| **Trade and other receivables** | | **361** | **255** |

Trade and other payables are expected to be settled as follows:

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Less than 90 days | | 1,376 | 197 |
| **Current trade and other payables** | 4.3 | **1,376** | **197** |
| Less than 6 months | | 22 | 22 |
| 6 months to 12 months | | 23 | 21 |
| More than 12 months | | 28 | 68 |
| **Lease liabilities** | | **73** | **111** |

**Net fair values**
Net fair values of financial assets and liabilities disclosed are materially in line with carrying values at 30 June 2022 and 30 June 2021 due to their short-term nature.

### 4.2.2 Financial instruments (cont)

**Interest rate sensitivity analysis**

The Group has performed a sensitivity analysis relating to 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. At 30 June 2022, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant are estimated as follows:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Change in pre-tax profit/(loss) | | |
| - Increase in interest rate by 0.49% (2021:0.2%) | 28 | 3 |
| - Decrease in interest rate by 0.49% (2021:0.2%) | (28) | (3) |
| Change in pre-tax equity | | |
| - Increase in interest rate by 0.49% (2021:2%) | 28 | 3 |
| - Decrease in interest rate by 0.49% (2021:2%) | (28) | (3) |

### 4.3 Trade and other payables

| Current: | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Trade payables | 1,069 | 122 |
| Sundry payables and accrued expenses | 240 | 30 |
| Employee cost & expenses payable | 67 | 45 |
| **Trade and other payables** | **1,376** | **197** |

Trade payables are non-interest bearing and are normally settled on 30 day terms.

Blue Energy has leases that are accounted for as Right of Use Assets. The lease liability represents the outstanding repayments on these leases. Lease liabilities are disclosed separately on the Statement of Financial Position.

**Trade and other receivables accounting policy**
The Group's financial assets and liabilities consist of trade receivables and payables – these are all conducted at arms length, are non-interest bearing and are normally settled within 30-90 days. Trade receivables are measured initially at fair value and subsequently measured at amortised cost using the effective interest rate method less allowances for expected credit losses. All trade transactions have standard industry terms and conditions and none of the amounts are secured on any of the Group's assets. Interest received relates to interest receivable from cash held with financial institutions considered under AASB9 and expected credit losses are deemed immaterial for the Group.

*Impairment*
The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customers on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

**Trade and other payables accounting policy**
Trade payables and other payables are initially recognised at fair value and subsequently measured at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

## 5 CAPITAL AND RELATED PARTY DISCLOSURES

### 5.1 Issued share capital

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **Ordinary shares:** | Number of Shares | $'000 | Number of Shares | $'000 |
| Issued & Fully Paid | **1,528,214,889** | **149,531** | 1,328,882,513 | 139,997 |
| **Movements in ordinary shares on issue:** | | | | |
| Opening balance | 1,328,882,513 | 139,997 | 1,328,882,513 | 139,997 |
| Issued shares at 4.5c/share - share purchase plan | 199,332,376 | 9,967 | - | - |
| Capital raising costs | - | (433) | - | - |
| **Closing balance** | **1,528,214,889** | **149,531** | 1,328,882,513 | 139,997 |

Ordinary shares have no par value. There is no limit to the authorised share capital of the Company.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called.

**5.1 Issued share capital (cont)**

The Company did not pay a dividend during the year ended 30 June 2022, nor has any dividend been proposed up to the reporting date (2021: nil). Ordinary shares would participate in dividends and the proceeds on any winding up of the parent entity in proportion to the number of shares held.

**Options over shares**
During the year no options were granted (2021: Nil).
From 30 June 2022 to the date of this report no shares have been issued as a result of the exercise of options.

**Rights over shares**
During the year, the Group granted 512,599 employee incentive rights to employees pursuant to the Employee Incentive Rights Plan (2021: Nil). At year end, 512,599 incentive rights were on issue (2021: Nil) and no incentive rights had vested (2021: Nil).

| | |
|---|---|
| Number of Incentive Rights | 512,599 |
| Grant date | 12 April 2022 |
| Expiry date | 30 June 2026 |
| Vesting date | 12 April 2023 |
| Estimated probability that the Incentive Rights will vest | 100% |
| Exercise price | $Nil |
| Expected volatility | 94% |
| Risk-free interest rate | 2.55% |
| Grant date share price | $0.097 |
| Fair value per incentive right | $0.097 |

The vesting of the Incentive Rights will be determined at the discretion of the Board of Directors. The criteria which the Board will use as the basis for its decision to determine the number of Incentive Rights that vest will include but not be limited to:

- The recipient continuing to be employed by the Company at 12 April 2023.
- The successful completion of any exploration or testing operations carried out by the Company up until the Date of the Review.
- The safety record of the Company's operations.
- The completion of any exploration or testing operations carried out by the Company within approved budgeted expenditure.
- The overall performance of the Company and the total return to shareholders during the 12 month period up to the Date of Review.

**Issued capital accounting policy**
Issued capital is recognised at the fair value of the consideration received by the Group.
Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.
For equity-settled share-based payment transactions for goods or services received, excluding employee services, the Group recognises and measures the increase in equity at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the Group measures the value of the goods or services received, by reference to the fair value of the equity instrument granted.

The Group has implemented an Employee Incentive Rights Plan in its place. The fair value of rights granted is recognised as an expense with a corresponding increase in equity reserves. The fair value is measured at grant date and spread over the life of the right taking into account the probability of the rights vesting. The fair value of rights granted is measured using the Black Scholes pricing model, taking into account the terms and conditions upon which the rights were granted. When grant date is subject to an approval process, grant date is the date when that approval is obtained. In this situation, the grant date fair value of the equity instruments is estimated for the purposes of recognising the services received during the period between service commencement date and grant date.

**5.2 Reserves**

**Option reserve**
The option reserve is used to recognise the fair value of share options and employee incentive rights granted.

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Reserves:** | | |
| Options Reserve opening balance | 8,823 | 8,823 |
| Share based payments expenses | 11 | - |
| Transfer to share capital | - | - |
| **Total Reserves** | **8,834** | **8,823** |

### 5.3 Related party disclosures

During the financial year the following related party transactions occurred:

#### 5.3.1 Key management personnel

| Director or Consulting fees were paid to or accrued by the following and are related party transactions: | 2022 $ | 2021 $ |
|---|---|---|
| Decambruns Pty Ltd – an entity associated with Rodney Cameron (Director of Blue Energy Limited – November 2011 to present). | 59,091 | 59,361 |

The non-executive Directors fees are $60,000pa, Risk and Audit Committee fees are $5,000pa both inclusive of superannuation.

Other than disclosed above, there have been no other transactions with related parties during the year.

#### 5.3.2 Subsidiaries

The ultimate parent entity is Blue Energy Limited. Blue Energy Limited provides funding for the subsidiaries to continue to develop their respective oil and gas exploration and evaluation activities.

#### 5.3.3 Terms and conditions of transactions with related parties

Transactions with related parties are made in arm's length transactions both at normal market prices and on commercial terms.

### 5.4 Key management personnel

#### 5.4.1 Key management personnel compensation

Key Management Personnel compensation included in employee benefits expense is as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Short term employee benefits | 745,771 | 729,180 |
| Post-employment benefits | 59,318 | 54,154 |
| Long term benefits | 16,244 | 17,324 |
| **Total** | **821,333** | **800,658** |

Details of key management persons and remuneration policies are included in the Directors' Report.

#### 5.4.2 Loans to key management personnel

No loans have been made by the parent or any subsidiary company to any Key Management Personnel during the period or to the date of this report.

## 6 RESULTS FOR THE YEAR

### 6.1 Income

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Other Income** | | |
| Interest received | 15 | 17 |
| Other income (Government COVID19 cash boost) | - | 25 |
| **Total Income** | **15** | **42** |

**Income accounting policy**

Interest income is recognised as the interest accrues to the net carrying amount of the financial asset. All income is stated net of the amount of goods and services tax (GST).

Other Income is recognised when it accrues. It is stated net of the amount of goods and services tax (GST).

### 6.2 Segment reporting

The Group operates in a single business segment, being the exploration for gas and petroleum resources. This activity is carried out in a single significant geographical segment, being Australia, principally in Queensland and the Northern Territory, which is consistent with reporting to the chief operating decision maker (CODM), who is the Board of Directors.

### 6.3 Profit and loss for the year

Loss before income tax includes the following specific expenses:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Employee benefit expenses | 442 | 241 |
| Superannuation expenses | 100 | 64 |
| Legal fees | 87 | 55 |
| Business development costs | 31 | 7 |
| Depreciation expenses | 52 | 49 |
| Directors' fees | 118 | 114 |
| Finance charges on lease liability | 4 | 3 |
| Share based payments expense | 11 | - |

**Employee benefits**
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

Superannuation: The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

### 6.4 Income tax

| **The components of tax expense comprise:** | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Current income tax | | |
| Current income tax charge | (446) | (306) |
| Adjustments in respect of current income tax of previous years | - | - |
| Deferred income tax | | |
| Current year tax losses not recognised in the current year | 446 | 306 |
| Income tax (benefit)/expense reported in statement of comprehensive income | - | - |

| **The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:** | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Accounting loss before income tax | (1,495) | (995) |
| Prima facie (income tax payable) / tax losses generated on loss before income tax at 30% (2021: 30%) | 449 | 299 |
| Sundry non-deductible expenses | (3) | 7 |
| Tax losses and temporary differences not recognised | (446) | (306) |
| Income Tax benefit/(expense) | - | - |

**Deferred Tax Assets**

| Deferred tax assets include: | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Temporary differences, excluding benefits of tax losses, attributable to: | | |
| Provisions | 282 | 376 |
| Accruals | 9 | 6 |
| Business related costs | 146 | 54 |
| Other | 22 | 33 |
| | **459** | **469** |
| Losses available for offsetting against future taxable income | 39,214 | 37,006 |
| **Total deferred tax assets** | **39,673** | **37,475** |
| Deferred tax liabilities offset against deferred tax assets | (19,479) | (18,326) |
| **Net deferred tax assets not recognised** | **20,194** | **19,149** |

**6.4 Income tax (cont)**

**Deferred Tax Liabilities**

| Deferred tax liabilities include: | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Temporary differences attributable to: | | |
| Exploration and evaluation expenditure | 19,455 | 18,291 |
| Interest receivable | 1 | - |
| Other | 23 | 35 |
| **Total deferred tax liabilities** | **19,479** | **18,326** |
| Deferred tax liabilities offset against deferred tax assets | (19,479) | (18,326) |
| **Total net deferred tax liabilities** | **-** | **-** |

There are no franking credits available to shareholders of the Group.

At 30 June 2022, the Group has consolidated carry forward tax losses of $130.7m (tax effected at 30% to $39.2m) and at 30 June 2021, the Group had consolidated tax losses of $124.9m (tax effected at 30% to $37.4m). These tax losses are available indefinitely to carry forward against future taxable income of the tax consolidated group. A portion of these carry forward tax losses were offset against deferred tax liabilities in the current year and prior year.

**Income tax accounting policy**

The charge for current income tax expense is based on the profit/(loss) 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 balance date.

Deferred tax is accounted for using the 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 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 credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. The consolidated group meets the requirements of the ATO for small business concessions for the years ending 2022 and 2021. Deferred tax is calculated using 30% and 30% respectively. Once the consolidated group start to generate turnover in excess of the thresholds, the tax rate applied will revert back to the standard rate.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences 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 Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Blue Energy Limited and its wholly-owned Australian subsidiaries have formed a tax consolidated group under the tax consolidation regime. Blue Energy Limited is the head entity of the tax consolidated group. Each entity in the group recognises its own current and deferred tax assets and liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the head entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group has notified the Australian Tax Office that it formed an income tax consolidated group to apply from 1 April 2006. The tax consolidated group has entered a tax sharing 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.

### 6.5 Earnings per share

Basic earnings per share amount is calculated by dividing net profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

*The following reflects the income and share data used in the basic earnings per share computations:*

| | 2022 #$'000 | 2021 #$'000 |
|---|---|---|
| Net loss attributable to ordinary equity holders of the parent | (1,495) | (995) |
| Weighted average number of ordinary shares for basic earnings per share | 1,474,331 | 1,328,882 |
| Weighted average number of ordinary shares for dilutive earnings per share | 1,474,331 | 1,328,882 |
| | Cents/share | Cents/share |
| Basic EPS | (0.10) | (0.07) |
| Diluted EPS | (0.10) | (0.07) |

A total of Nil (2021: Nil) options outstanding at balance date have not been included in the computation of diluted earnings per share as this result is anti-dilutive in nature.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the issue of these financial statements.

### 6.6 Auditors remuneration

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| - Fees for audit and review of financial statements | 55 | 50 |
| **Total** | **55** | **50** |

## 7 OTHER

### 7.1 Parent entity financial information

#### 7.1.1 Summary financial information

The individual financial report for the parent entity shows the following aggregate amounts:

| **Statement of financial position** | **2022** $'000 | **2021** $'000 |
|---|---|---|
| Current assets | 6,692 | 1,799 |
| Total assets | 70,969 | 61,881 |
| Current liabilities | 1,706 | 630 |
| Total liabilities | 1,734 | 698 |
| *Shareholders' equity* | | |
| Issued capital | 149,531 | 139,997 |
| Reserves | 8,834 | 8,823 |
| Accumulated losses | (89,130) | (87,637) |
| | **69,235** | **61,183** |
| **Statement of comprehensive income** | | |
| Loss for the year attributable to owners of the parent | (1,495) | (993) |
| Total comprehensive loss attributable to owners of the parent | **(1,495)** | **(993)** |

This report has been prepared on the same basis as the consolidated financial statements.

#### 7.1.2 Guarantees entered into by the parent entity

The following bank guarantees (secured by term deposits) for the parent entity are in place at 30 June 2022:

Bank guarantees parent entity - $343k (2021: $102k), these relate to financial assurances for ATPs held by Blue Energy Limited and the office lease bond.

### 7.2 Contingent assets and liabilities

The Directors are not aware of any other material contingent liabilities or contingent assets at 30 June 2022, not otherwise disclosed in this report.

### 7.3 Commitments

#### 7.3.1 Contractual commitments for the purchase of goods and services

As at 30 June 2022, the Group had contractual commitments for the acquisition of goods and services amounting to $4.189 million (2021: nil). These goods and services relate primarily to expenditure related to the Sapphire exploration drilling program.

### 7.4 Events subsequent to the reporting date

Subsequent to the end of the reporting period, the following significant events occurred:

i. On 14 July 2022 Blue Energy announced an increase in the reserve and resource estimate for the Sapphire Block (PL 1034 application area) including a 98% increase in 2C resources and a 17% increase in 3P gas reserves. The table below presents Blue Energy's gas reserves and resources (net) as at 14 July 2022 after the resource and reserves upgrade for the Sapphire Block (PL 1034 application area):

| Permit | Block | Assessment Date | Announcement Date | 1P (PJ) | 1C (PJ) | 2P (PJ) | 2C (PJ) | 3P (PJ) | 3C (PJ) |
|---|---|---|---|---|---|---|---|---|---|
| ATP854P | | 22/01/2022 | 25/01/2022 | - | 90 | - | 194 | - | 398 |
| ATP813P | | 29/10/2014 | 30/10/2014 | - | - | - | 61 | - | 830 |
| ATP814P | Sapphire | 11/07/2022 | 11/07/2022 | - | 154 | 67 | 214 | 253 | 214 |
| ATP814P | Central | 21/12/2012 | 19/03/2013 | - | 50 | 12 | 99 | 75 | 306 |
| ATP814P | Monslatt | 31/12/2012 | 19/03/2013 | - | - | - | 619 | - | 2,054 |
| ATP814P | Lancewood | 30/09/2013 | 30/10/2013 | - | 5 | - | 23 | 1 | 435 |
| ATP814P | Hillalong | 27/02/2020 | 27/02/2020 | - | - | - | 182 | - | 237 |
| ATP814P | South | 30/06/2013 | 29/07/2013 | - | 15 | - | 27 | 6 | 30 |
| **Total (PJ)** | | | | **-** | **314** | **79** | **1,419** | **335** | **4,504** |

ii. On 2 August 2022, Blue Energy completed a strongly supported institutional placement to raise $20 million (before costs of the offer) through the issue of 322,580,645 new shares at $0.062 per share. The funds raised will be directed towards additional appraisal drilling and associated production testing in the North Bowen and Surat Basins, additional seismic studies and general working capital.

Apart from the above, no material events have occurred from balance date up to the date of this report.

**Directors' Declaration**

The Directors of Blue Energy Limited declare that:

1. the financial statements and notes, as set out on pages 24 to 41, are in accordance with the *Corporations Act 2001*, and:

    a. comply with Accounting Standards, International Financial Reporting Standards (as stated in Note 1) and *Corporations Regulations 2001*; and

    b. give a true and fair view of the financial position as at 30 June 2022 and of their performance for the year ended on that date of the Group;

2. the Chief Executive Officer has declared in accordance with the S295A of the *Corporations Act 2001*, that;

    a. the financial records of the Group for the financial year ended 30 June 2022 have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    b. the financial statements and the accompanying notes referred to in Section 295(3)(b) of the *Corporations Act 2001*, for the financial year comply with the accounting standards;

    c. the financial statements and notes for the financial year give a true and fair view; and

    d. any other matters that are prescribed by the regulations for the purposes of this paragraph in relation to the financial statements and the notes for the financial year are satisfied.

3. in the Directors' opinion there are reasonable grounds to believe that the Company and Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

John Ellice-Flint
Chairman

Dated this 13th day of September 2022

**Additional Shareholder Information**

Additional information required by the ASX ltd and not shown elsewhere in this report is as follows. The information is current as at 7 September 2022.

**(a) Distribution of the Equity Securities**

*Ordinary share Capital*

There are 1,850,795,534 fully paid ordinary shares, held by 6,285 individual shareholders. There is no current on-market buy-back. The number of holders of ordinary shares by range is:

| Range | Total holders | Units | % Units |
|---|---|---|---|
| 1 - 1,000 | 299 | 41,229 | 0.00 |
| 1,001 - 5,000 | 561 | 1,908,863 | 0.10 |
| 5,001 - 10,000 | 898 | 7,441,654 | 0.40 |
| 10,001 - 100,000 | 2,955 | 118,632,557 | 6.41 |
| 100,001 Over | 1,572 | 1,722,771,231 | 93.08 |
| **Rounding** | | | **0.01** |
| **Total** | **6,285** | **1,850,795,534** | **100.00** |

The number of holders of unmarketable parcels is :

**Unmarketable Parcels**

| | Minimum Parcel Size | Holders | Units |
|---|---|---|---|
| Minimum $ 500.00 parcel at $ 0.0630 per unit | 7,937 | 1,213 | 4,202,626 |

**(b) Substantial Shareholders**

| Name | Units | % of Units |
|---|---|---|
| JEACH PTY LTD <THE PIPPI SUPER FUND A/C> | 125,772,734 | 6.80% |
| GREIG & HARRISON PTY LTD | 119,920,838 | 6.49% |

**(c) Twenty largest holders of Quoted Equity Securities**

| Rank | Name | Units |
|---|---|---|
| 1 | JEACH PTY LTD <THE PIPPI SUPER FUND A/C> | 125,772,734 |
| 2 | UBS NOMINEES PTY LTD | 99,356,875 |
| 3 | NATIONAL NOMINEES LIMITED | 80,244,983 |
| 4 | GIRDIS SUPERANNUATION PTY LTD C/-ELLICE-FLINT FINANCIAL PLAN LEVEL 13 | 42,812,065 |
| 5 | NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C> | 40,827,365 |
| 6 | HORRIE PTY LTD <HORRIE SUPERANNUATION A/C> | 34,418,667 |
| 7 | GEOTECH RESOURCES PTY LTD <PHILLIPS FAMILY A/C> | 31,229,574 |
| 8 | CITICORP NOMINEES PTY LIMITED | 27,128,379 |
| 9 | 2INVEST AG | 24,032,259 |
| 10 | ROSSDALE SUPERANNUATION PTY LTD <ROSSDALE SF A/C> | 23,780,000 |
| 11 | ROOKHARP CAPITAL PTY LTD | 18,064,517 |
| 12 | NGA PROMOTIONS PTY LTD | 18,000,000 |
| 13 | BETA GAMMA PTY LTD <WALSH STREET SUPER FUND A/C> | 17,457,388 |
| 14 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C> | 16,135,281 |
| 15 | HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C> | 15,308,333 |
| 16 | DD LYNCH PTY LTD <TOMSIC FAMILY A/C> | 15,000,000 |
| 17 | MR GEOFFREY VICTOR DAY + MRS ANNE MARGARET DAY <G V DAY SUPER FUND A/C> | 14,000,000 |
| 18 | BNP PARIBAS NOMS PTY LTD <DRP> | 12,286,049 |
| 19 | PANORAMIC ROAD PTY LTD | 12,237,000 |
| 20 | BRAZIL FARMING PTY LTD | 12,000,000 |
| **Totals: Top 20 holders of ORD FULLY PAID SHARES (Total)** | | **680,091,469** |
| **Total Remaining Holders Balance** | | **1,170,704,065** |

**BLUE ENERGY LIMITED**
ACN 054 800 378

| | | |
|---|---|---|
| **DIRECTORS** | John Ellice-Flint | (Executive Chairman) |
| | John Phillips | (Managing Director) |
| | Mark Hayward | (Non-Executive Director) |
| | Rodney Cameron | (Non-Executive Director) |

**COMPANY SECRETARY**
Stephen Rodgers

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**BRISBANE OPERATIONS**
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1300 552 270

**AUDITORS**
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**BANKERS**
ANZ

**STOCK EXCHANGE**
ASX Limited
Riverside Centre
Level 5, 123 Eagle Street
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Trading code
Ordinary shares: **BLU**