



FINANCIAL REPORT FOR THE YEAR  
ENDED 30 JUNE 2020

BLUE ENERGY LIMITED  
ACN 054 800 378

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## DIRECTORS' REPORT

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 2020.

### 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	Date Resigned
John Ellice-Flint	Executive Chairman	05/04/2012	-
John Phillips	Managing Director (Executive)	28/06/2010	-
Karen Johnson	Non-executive Director	30/09/2011	-
Rodney Cameron	Non-executive Director (Deputy Chairman)	15/11/2011	-

#### 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, CPA

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.

#### Karen Johnson BComm, FCA, GAICD

Over the last 30 years Karen has held senior roles specialising in audit, assurance, technical and corporate governance consulting and financial accounting engagements within Chartered Accounting firms, public sector entities and private companies. Karen brings to the Board strong technical accounting skills through knowledge and application of Australian Accounting and Auditing Standards and an ability to quickly grasp complex business operations and identify the key risk areas for analysis, risk assessment and critical evaluation.

#### Directorships of other listed companies

No Directorships in other listed companies were held by current directors in the three years up to 30 June 2020.

### COMPANY SECRETARY

Mr Stephen Rodgers was appointed Company Secretary on 15 March 2018. Mr Rodgers is a lawyer with over 30 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

	2020 (Cents)	2019 (Cents)
Basic loss per share	(0.38)	(0.45)
Diluted loss per share	(0.38)	(0.45)

### 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 (2019: 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 program. There has been no change in the principal activities of the Group from the prior year.

## OPERATING AND FINANCIAL REVIEW

### Reserve and Resource Position

There has been no material change to the Group's Reserve or Resource position in the last 12 month period to 30 June 2020. 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 current 3C Contingent Resource estimate is 4,179 PJ of technically recoverable gas, whilst the 1C and 2C Contingent Resource estimates are 158 PJ and 1,166 PJ respectively. The Gas Reserves remain confined to ATP814P in the North Bowen Basin, whilst the Contingent Resources are established by NSAI in Blue's ATP814P, ATP813P and ATP854P tenements. The current Reserve and Resource estimate by NSAI with no variations from prior year is tabled below (Table 1).

These reserves are not yet developed, there has been no production of gas by Blue Energy Ltd 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. The reserves 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. The Group continues to work with NSAI on providing any updates on the reserve and resources position.

**Table 1: Blue Energy Ltd's Reserve and Resource Inventory**

Permit	Block	1C (PJ)		1P (PJ)		2C (PJ)		2P (PJ)		3C (PJ)		3P (PJ)	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
ATP854P Surat Basin Qld		22	22	-	-	47	47	-	-	101	101	-	-
ATP813P Galilee Basin Qld		-	-	-	-	61	61	-	-	830	830	-	-
ATP814P Bowen Basin Qld	Sapphire	66	66	-	-	108	108	59	59	186	186	216	216
	Central	50	50	-	-	99	99	12	12	306	306	75	75
	Monslatt	-	-	-	-	619	619	-	-	2,054	2,054	-	-
	Lancewood	5	5	-	-	23	23	-	-	435	435	1	1
	South	15	15	-	-	27	27	-	-	30	30	6	6
	Hillalong	-	-	-	-	182	182	-	-	237	237	-	-
<b>Total (PJ)</b>		<b>158</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>1,166</b>	<b>1,166</b>	<b>71</b>	<b>71</b>	<b>4,179</b>	<b>4,179</b>	<b>298</b>	<b>298</b>
<b>Total (mmboe)</b>		<b>27.1</b>	<b>27.1</b>	<b>-</b>	<b>-</b>	<b>191.9</b>	<b>191.9</b>	<b>12.2</b>	<b>12.2</b>	<b>718.5</b>	<b>718.5</b>	<b>51.2</b>	<b>51.2</b>

### Competent Person Statement

The estimates of reserves and contingent resources have been provided by Mr John Hattner of NSAI. 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 has consented to the use of the information presented herein. The estimates in the report by Mr Hattner have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum and Resource Management System (PRMS) approved by the Society of Petroleum Engineers (SPE), utilising a deterministic methodology.

### ATP814P (Blue Energy 100% and Operator) - Bowen Basin

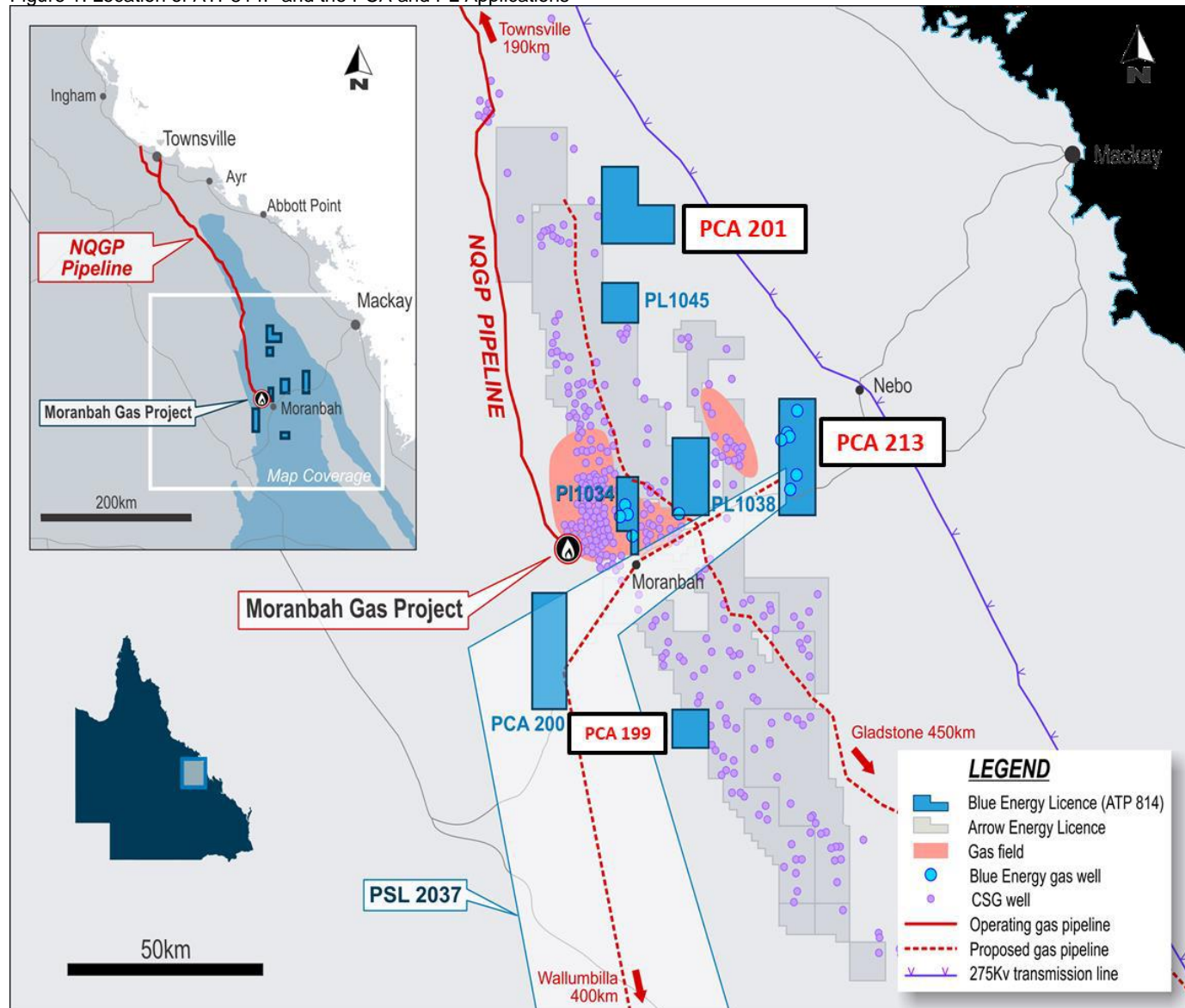
This permit currently has 2P reserves of 71 PJ, 3P reserves of 298 PJ and 3,248 PJ of Contingent Resources (as independently estimated by NSAI). It consists of 7 separate blocks, with the Sapphire Block holding the majority of the 2P and 3P reserves. This Block is in very close proximity to the current production from the Moranbah Gas Project Joint Venture.

Blue is investigating the viability of gas fired electricity generation in ATP814P and in particular the Hillalong and Monslatt Blocks, located near the towns of Glenden and Nebo respectively. Blue commissioned the engineering consultancy Clough to conduct a pre-feasibility/business case assessment for gas fired power generation in the Nebo area, and the results of this study have demonstrated that low emission gas fired peaking capacity is economically viable under a range of machine sizes (Megawatt output), configurations (scalable units) and offtake electricity prices, given Blue's 100 % ownership of the gas resource and low cost operating model. Both the Hillalong Block and Monslatt Block blocks are within 10 kilometres of the major 275Kv transmission line linking Gladstone and Townsville.

The two existing non binding Memorandums of Understanding (MoU) one with Queensland Pacific Metals for potential gas supply for their proposed Nickel refining project in Townsville and one with North Queensland Gas Pipelines Pty Ltd (to establish new gas offtakers in the Townsville market) are both on foot and serve as the base for Blue's gas marketing strategy to the North (Townsville). Blue has refreshed its MoU with pipeliner APA Group to undertake the necessary desk top studies and route selection work for Blue's southern gas marketing strategy to take gas from ATP814P to the southern domestic market via a pipeline from Moranbah to Gladstone/Wallumbilla.

The 3 separate Production Licence Applications (PLA's) lodged previously are still under consideration by the Regulator as Blue continues to progress the necessary studies for the environmental authorities required for Grant of the Production Licences, together with Native Title Agreements for the respective areas. Following the close of the period, Blue has been granted award of 3 Potential Commercial Areas, in ATP814P by the Queensland Government. The location of the PLA's and PCA's can be seen in Figure 1.

Figure 1: Location of ATP814P and the PCA and PL Applications



#### ATP813P Galilee Basin Queensland (Blue Energy 100% - and Operator)

ATP813P is located to the north of the Aramac township in central west Queensland. Blue Energy's exploration work on the permit to date has resulted in 830 PJ of Contingent Resource being estimated by independent reserve specialist NSAI.

Blue lodged 9 separate Potential Commercial Area Applications in 2017, and as at 30 June 2020, were still being considered by the Queensland Government for grant.

**ATP854P – Surat Basin Queensland (Blue Energy and 100% Operator)**

This permit lies immediately west of the main feed gas supply for both the Gladstone LNG and the Australia Pacific LNG liquefaction plants in Gladstone. The exploration work done by Blue Energy to date has identified a Contingent Gas resource of 101 PJ in the Late Permian Bandana Formation Coals. Additional exploration potential for both oil and gas within the permit is high, with the Group having identified both oil prospectivity, and Early Permian coal seam gas and stratigraphically trapped gas potential.

The Group continues to engage with parties in both the domestic and export Liquefied Natural Gas ("LNG") sectors who are interested in purchasing gas in the Contingent Resource category.

Blue Energy lodged Potential Commercial Areas (PCA's) applications covering this tenure with the Queensland Department of Natural Resources, Mines and Energy in 2017, and as at 30 June 2020, were still being considered by the Department.

**Greater McArthur Basin, Northern Territory**

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

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. Whilst these amendments have lengthened the approval process for all oil and gas exploration activities in the Territory, there are still further legislative amendments expected to accommodate those Pepper Inquiry recommendations relating to Production Licence tenures. These longer approval timeframes have impacts of field activity in the already restricted exploration season in the NT.

Blue Energy's granted permits have been under suspension (at Blue's request) as a result of the regulatory uncertainty and now the COVID 19 access restrictions. These suspensions remain in place until February 2021, and the licences have also been extended by 12 months. Notwithstanding the current suspension old work programs enacted on the awarded permits, Blue is progressing all approval requirements for the regional 2DS seismic survey over the 3 awarded permits. This work includes cultural heritage clearance (undertaken by the Aboriginal Area Protection Authority), together with community licence and information activities.

**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. This uncertainty has meant investment by small cap listed companies has become extremely challenging. In an attempt to facilitate continued activity within the tenures, Blue has entered into an agreement with an Australian energy company, whereby Blue would be reimbursed for its post-grant nominal back costs. This agreement is subject to, and conditional upon approval by the Queensland Government.

**Georgina Basin and Carpentaria Basins Application Areas - ATP 1112, 1114, 1117, 1123 A (Blue Energy 100% and Operator)**

Blue Energy continues to seek resolution of the long running Native Title negotiations that are required to facilitate grant of these areas.

**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.

**Financial Position**

The net assets of the Group have decreased by \$3.6m from 30 June 2019 to \$62.7m at 30 June 2020. The decrease is due to the impairment of the Cooper Basin exploration assets (ATPs 656, 657, 658, 660) in light of the proposed environmental legislation to protect Pristine Rivers on the Cooper Basin.

The Group posted a loss after income tax and asset impairment for the period of \$5.06m (2019: \$5.88m).

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There have been no significant changes in the state of affairs of the Company and Group during the financial year.

**EVENTS AFTER BALANCE DATE**

No material events have occurred from balance date up to the release 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, Ernst & Young, 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 Ernst & Young 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 an officer or auditor.

**EFFECTS OF COVID19**

During the last quarter of FY2020, Blue was, and continues to be, affected by the economic impacts of the COVID19 pandemic. Blue was impacted by the 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, all planned Native title consultation work in these areas was put on hold.

From a financial point of view, Blue was not eligible to access the Government's Job Keeper subsidies as the Group is a non-income based business. The Group was, however, able to benefit from the Government's 'cash bonus' scheme to the amount of \$75k and with a further \$25k to be paid at the end of Qtr1 of FY2021. 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.

As a result of the successful capital raising in June and July 2019, and careful corporate spending, the Group remains a going concern with no current liquidity problems. No contracts were affected, or changed, during the period.

## 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 currently occupies the 81<sup>st</sup> percentile of a group of Blue Energy's peers and the cash value has not changed in 8 years. The "at risk" component of remuneration has historically utilised the Company's Employee Incentive Rights Plan (EIRP), which has been variously endorsed by shareholders since 2012.

The shareholder vote at the 2019 AGM passed the Remuneration Report. The 2020 Remuneration Report shows a 33% reduction in total executive and Board remuneration. Whilst some Employee Rights from the 2018 financial year vested at 30 June 2020, there was no grant of Rights to executives in the 2020 financial year and none were granted in 2019.

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 compliments to 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 utilises 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 total shareholder return (TSR) vesting hurdles. The company can also grant retention rights. For retention rights to vest the employee must remain with the Company for a period of 3 years from the effective issue date. For performance rights, the portion that vests is determined by Blue Energy's TSR as determined by an independent advisor over the 3 year period from the effective issue date. The minimum compound annual TSR for the three years is 15% which results in a 25% vesting rate for the employee. At present, the Board has determined that the issue of performance rights will be limited to those individuals (Key Management Personnel) who have a direct ability to influence the performance of the Group.

As at 30 June 2019, the Board resolved that the issue of Rights under the EIRP, in its current form, be suspended pending a simpler form of "at risk" remuneration component. This new form is yet to be finalised.

### 2020

	Salary & fees <sup>(3)</sup>	Superannuation	Options/Rights <sup>(4)</sup>	Total	Proportion of Remuneration Performance Related	Value of Options/Rights as a Proportion of Remuneration
	\$	\$	\$	\$	%	%
<b>Directors</b>						
K Johnson	60,360	5,734	-	66,095	0%	0%
R Cameron	60,360	5,734	-	66,095	0%	0%
<b>TOTAL</b>	<b>120,722</b>	<b>11,468</b>	<b>-</b>	<b>132,190</b>	<b>0%</b>	<b>0%</b>
<b>Executive Directors</b>						
J Phillips <sup>(1)</sup>	376,000	25,000	-	401,000	0%	0%
J Ellice-Flint <sup>(2)</sup>	201,000	19,095	14,553	234,648	6%	6%
<b>TOTAL</b>	<b>577,000</b>	<b>44,095</b>	<b>14,553</b>	<b>635,648</b>	<b>2%</b>	<b>2%</b>
<b>TOTAL</b>	<b>697,722</b>	<b>55,563</b>	<b>14,553</b>	<b>767,838</b>	<b>2%</b>	<b>2%</b>

(1) Mr Phillips has been granted no performance rights under the EIRP for the year ended 30 June 2020.

(2) Mr Ellice-Flint has been granted no performance rights under the EIRP for the year ended 30 June 2020.

(3) Salary and fees include fees, RAC fees and \$1,000 for each director, representing the cash element of the rights that vested on 30 June 2019.

(4) The options/rights are valued at the effective grant date and expensed over a 3 yr period. This represents amount expensed in FY2020 relating to the rights that vested and were exercised. Mr Phillips did not exercise his vested rights. There was no expense relating to Ms Johnson and Mr Cameron rights that vested, and were exercised, in 2020.



## DIRECTORS' REPORT

2019

	Salary & fees <sup>(3)</sup>	Superannuation	Options/Rights <sup>(4)</sup>	Total	Proportion of Remuneration Performance Related	Value of Options/Rights as a Proportion of Remuneration
	\$	\$	\$	\$	%	%
<b>Directors</b>						
K Johnson	66,000	-	3,212	69,212	5%	5%
R Cameron	66,000	-	3,212	69,212	5%	5%
<b>TOTAL</b>	<b>132,000</b>	<b>-</b>	<b>6,424</b>	<b>138,424</b>	<b>5%</b>	<b>5%</b>
<b>Executive Directors</b>						
J Phillips <sup>(1)</sup>	378,500	25,000	240,768	644,268	37%	37%
J Ellice-Flint <sup>(2)</sup>	202,250	19,213	89,968	311,431	29%	29%
<b>TOTAL</b>	<b>580,750</b>	<b>44,213</b>	<b>330,736</b>	<b>955,699</b>	<b>35%</b>	<b>35%</b>
<b>TOTAL</b>	<b>712,750</b>	<b>44,213</b>	<b>337,160</b>	<b>1,094,123</b>	<b>31%</b>	<b>31%</b>

(1) Mr Phillips has been granted no performance rights under the EIRP for the year ended 30 June 2019.

(2) Mr Ellice-Flint has been granted no performance rights under the EIRP for the year ended 30 June 2019.

(3) Salary and fees include fees, RAC fees and \$1,000 for each director, representing the cash element of the rights that vested on 30 June 2019. Ms Johnson and Mr Cameron's remuneration was paid to their personal Companies and the total is inclusive of superannuation.

(4) The options/rights are valued at the effective grant date and expensed over a 3 year period.

### 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 (2019: \$60,000) per annum, inclusive of Superannuation Guarantee where applicable. Directors who are appointed to committees of the Board receive an additional \$5,000 (2019: \$5,000) per annum per committee position inclusive of compulsory superannuation where applicable. In the year ended 30 June 2020, the Risk and Audit Committee ('RAC') fees were paid in cash. 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 2020 with the contract term of 3 years until 1 July 2023, and effective from 1 July 2020 and incorporates various termination clauses in the event of breaches by either party up to a maximum of six 9 months' total fixed remuneration in lieu of notice or otherwise on three months' notice. In June 2020, Mr Phillips has been awarded nil (2019: nil) performance rights under the EIRP. In June 2020, Mr Phillips's 6,400,000 retention rights, granted on 22/11/16, vested as did 3,692,500 performance rights. Mr Phillips did not exercise these vested rights and they lapsed on 30 June 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 that 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. Mr Ellice-Flint does not receive any additional fees as Chairman. In June 2020 Mr Ellice-Flint has been awarded nil (2019: nil) performance rights under the EIRP.

#### 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 linked to market-based performance conditions such as market capitalisation and total shareholder return (TSR). These performance conditions are in line with industry standards and practice and are also believed to align the interests of directors and executives with those of the Company's shareholders.

No element of the other Director's or Executive's remuneration is currently dependent on the satisfaction of a related individual performance condition. Indeed, issue of Rights to Non-Executive Directors has previously been done solely in lieu of forgone Board Committee cash fees (to assist with the Company's cash management strategy). This practice has now ceased.

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

The movement in the number of options and employee incentive rights over ordinary shares in Blue Energy Limited held directly, indirectly or beneficially, by each Key Management Person, including their related parties, is as follows:

# DIRECTORS' REPORT

2020

	Balance at 30 June 2019 Number	Did not vest and expired Number	Vested and exercised Number	Vested not exercised Number	Balance at 30 June 2020 Number	Expensed during year ended 30 June 2020 \$
<b>Directors</b>						
J Phillips	13,785,000	(3,692,500)	-	(10,092,500) <sup>(1,2)</sup>	-	58,180
J Ellice-Flint	3,692,000	(1,846,000)	(1,846,000) <sup>(3)</sup>	-	-	29,104
R Cameron	154,000	(77,000)	(77,000) <sup>(4)</sup>	-	-	-
K Johnson	154,000	(77,000)	(77,000) <sup>(4)</sup>	-	-	-
<b>TOTAL</b>	<b>17,785,000</b>	<b>(5,692,500)</b>	<b>(2,000,000)</b>	<b>(10,092,500)</b>	<b>-</b>	<b>87,284</b>

- (1) The fair value (on grant) of vested incentive rights for Mr Phillips was \$174,655. Mr Phillips did not exercise these rights.  
(2) The fair value (on grant) of vested retention rights for Mr Phillips was \$89,600. Mr Phillips did not exercise these rights.  
(3) The fair value (on grant) of vested incentive rights for Mr Ellice-Flint was \$87,315 and they were issued in the form of \$1,000 cash paid through payroll in July 2020 and 1,822,586 shares on 4<sup>th</sup> August 2020 in accordance with the EIRP rules.  
(4) The fair value (on grant) of vested incentive rights for each of Mr Cameron and Ms Johnson was \$3,642 and they were each issued in the form of \$1,000 cash paid via payroll in July 2020 and 53,586 shares on 4<sup>th</sup> August 2020 in accordance with the EIRP rules.

## Value of Employee Incentive Rights issued to Directors and Other Key Management Personnel

During the financial year no employee incentive rights were granted as equity compensation benefits under the terms of agreements with key management personnel, previous grants are disclosed below. The employee incentive rights were granted for \$nil consideration. Each employee incentive right entitles the holder to subscribe for one fully paid ordinary share in Blue Energy at the stated exercise price.

2020		Vested	Granted	Terms and Conditions of Each Grant		
	Rights	Number	Number	Grant Date	Fair Value per right at grant date <sup>(1)</sup> \$	Exercise price per share \$
<b>Directors</b>						
J Phillips	Retention	6,400,000	-	22/11/16	0.01400 <sup>(1)</sup>	Nil
	Performance	3,692,500	-	30/6/18	0.04730 <sup>(1)</sup>	Nil
J Ellice-Flint	Performance	1,846,000	-	30/6/18	0.04730 <sup>(1)</sup>	Nil
R Cameron	Performance	77,000	-	30/6/18	0.04730 <sup>(1)</sup>	Nil
K Johnson	Performance	77,000	-	30/6/18	0.04730 <sup>(1)</sup>	Nil
		<b>12,092,500</b>				

- (1) The cost of the award is recognised over the period of service to which it relates. For valuation purposes in order to recognise the expense up to 30/06/2018, a grant date of 30/06/2017 was used.

None of the options or employee incentive rights granted by the Company to current Directors or Key Management Personnel are quoted on the Australian Stock Exchange until they vest and are exercised.

## Interests in Shares of the Company

The movement during the year 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:

2020	Balance at 30 June 2019 Number	Granted as compensation Number	On exercise Of Rights Number <sup>(1)</sup>	Off Market Purchase Number <sup>(3)</sup>	Net Change Other Number <sup>(2)</sup>	Balance at 30 June 2020 Number	Balance held nominally at 30 June 2020 <sup>(1)</sup>
<b>Directors</b>							
J Ellice-Flint	117,485,037	-	1,822,586	333,333	6,131,778	123,950,148	125,772,734
J Phillips	13,976,584	-	-	44,444	18,439,778	32,460,806	32,460,806
R Cameron	4,869,796	-	53,586	666,666	362,778	5,899,240	5,952,826
K Johnson	869,796	-	53,586	-	362,778	1,232,574	1,286,160
<b>TOTAL</b>	<b>137,201,213</b>	<b>-</b>	<b>1,929,758</b>	<b>1,044,443</b>	<b>25,297,112</b>	<b>163,542,768</b>	<b>165,472,526</b>

- (1) As there were no further conditions attached to the rights that vested on 30 June 2020 there was a right to these shares as at that date, these were physically issued on 3 July 2020. As they were issued during a restricted trading period, the Company arranged for them to be issued for the Directors' benefit by the trustee of the Blue Energy Employee Share Trust (Blue Energy EST) and will be transferred from the trust to the Directors on 4<sup>th</sup> August 2020. The nominal balance includes the Directors' share balance at 30 June 2020 plus the number of shares they exercised from the vested rights at 30 June 2020. Mr Phillips did not exercise his rights.  
(2) This represents the shares that were issued on 2 August 2019 as a result of the incentive rights that vested on 30 June 2019. They were held in trust at 30 June 2019 and transferred to the Directors after the restricted trading period.  
(3) In July 2019, Blue executed a Share Purchase Plan. These shares represent the shares purchased by the Directors via the plan. Each share was valued at \$0.042/share.

## DIRECTORS' 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 (2019: nil and 17,785,000) Refer to the table below and Note 5.1 – Issued Capital for details. Note 5.1 also includes non KMP unissued shares.

### Options over shares

During the year no options were granted (2019: Nil).

From 30 June 2020 to the date of this report no shares have been issued as a result of the exercise of options.

### Rights Details

Effective Grant Date	Exercise Date	Type of Right	Exercise Price \$	Fair value at Grant Date \$	Number of Rights at beginning of period	Rights Granted	Rights Lapsed <sup>(1)</sup>	Rights Vested <sup>(2)</sup>	Ceased being KMP	Number of Rights at 30 June 2020
30-Jun-16	30-Jun-20	Retention	nil	\$0.014	6,400,000	-	-	(6,400,000)	-	-
30-Jun-18	30-Jun-20	Performance	nil	\$0.0473	11,385,000	-	(5,692,500) <sup>(3)</sup>	(5,692,500)	-	-
30-Jun-19	30-Jun-21	Performance	nil	-(4)	-	-	-	-	-	-
30-Jun-20	30-Jun-22	Performance	nil	-(4)	-	-	-	-	-	-
					17,785,000	-	(5,692,500)	(12,092,500)	-	-

(1) Percentage of KMP rights lapsed during the year was 32%.

(2) Percentage of KMP rights vested during the year was 68%.

(3) Per the EIRP rules, these rights met the '50%' vesting target and the remaining rights lapsed on 30 June 2020.

(4) No rights were granted during the financial year.

The fair value of performance rights granted was calculated using the Monte-Carlo pricing model utilising the following inputs:

- Vesting Period	3 Years
- Expiration Period	4 Years

None of the employee incentive rights granted by the Company are quoted on the Australian Stock Exchange.

No KMP incentive rights over shares lapsed between 30 June 2020 and the date of this report.

### Employee Options and Incentive Rights

The Company has an Employee Incentive Rights Plan ("EIRP") first implemented in 2010/11. The EIRP was approved, with amendments, by Shareholders at the 2016 and 2018 AGM for a period to 30 June 2019. The Board however resolved in 2018 to suspend the issue of Rights under the EIRP for years ending 2019 and 2020.

Notwithstanding its current suspension, pending implementation of a more current "at risk remuneration policy", Incentive rights under the suspended EIRP comprised retention rights and performance rights. For retention rights to vest the employee must remain with the Company for a period of 3 years from the effective issue date. The portion of performance rights that vest is determined by Blue Energy's total shareholder return (TSR) as determined by an independent advisor over the 3 year period from the effective issue date. The minimum compound annual TSR for the three years is 15% which results in a 25% vesting rate for the employee. At present, the Board has determined that the issue of performance rights will be limited to those individuals (Key Management Personnel) who have a direct ability to influence the performance of the Group.

On vesting, the first \$1,000 of shares is paid in cash, and the balance of incentive rights will either be issued as Restricted Shares to the employee or the Company will arrange for them to be acquired for the employee's benefit by the trustee of the Blue Energy Employee Share Trust (Blue Energy EST). When Shares are to be acquired by the Blue Energy EST, the employer or Blue Energy will contribute the market value of the Shares at the time to be acquired to the trustee of the Blue Energy EST and the trustee shall apply those funds to acquire Shares by on-market purchase or subscription to a new issue as directed by the Board of Blue Energy. Restricted Shares means that they may not be sold or otherwise disposed of until first advised by the Company, which the Company shall do at the first opportunity to do so, when Shares may be sold without breaching the insider trading provisions of the Corporations Act 2001 or the Company's securities trading policy. At 30 June 2020, 1,929,758 shares have been issued or are held by the Blue Energy EST.

### 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:

	2020*	2019*	2018	2017	2016
Loss after tax	\$5.06m	\$5.88m	\$1.58m	\$1.45m	1.71m
Share price at year end	\$0.038	\$0.044	\$0.091	\$0.079	\$0.022
Loss per share – basic (cents)	(0.38)	(0.45)	(0.14)	(0.13)	(0.15)

\* Losses impacted by exploration impairment or write off.

## DIRECTORS' REPORT

### 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	
	Held	Attended	Held	Attended
J Ellice-Flint	10	10	*	*
J Phillips	10	10	*	*
R Cameron	10	9	3	3
K Johnson	10	10	3	3

\* 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 2020 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.

### CORPORATE GOVERNANCE STATEMENT

The Directors and management of Blue Energy Limited ("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 2020 the Company worked towards implementing corporate governance practices and policies as outlined in the ASX Corporate Governance Council's Principles and Recommendations (4<sup>th</sup> Edition) ("ASX Recommendations"), which has recently been published. 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 2020 Corporate Governance Statement, which provides detailed information about governance and a copy of Blue Energy's Appendix 4G which sets out the Company's compliance with the recommendations in the 4<sup>th</sup> Edition of the ASX Recommendations is available on the corporate governance section of the Company's website at: [www.blueenergy.com.au](http://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 14 and forms part of the Directors' Report for the year ended 30 June 2020.

### NON-AUDIT SERVICES

The Group's auditor, Ernst & Young, provided non-audit services relating to tax, superannuation and GST during the financial year. Generally, where non-audit services are provided by the Group's auditor, the Directors are satisfied that the provision of the non-audit service is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of 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 set by the Accounting Professional and Ethical Standards Board. Details of the amounts paid to the auditor of the Group, Ernst & Young, for audit and non-audit services provided during the year are set out in note 6.6.

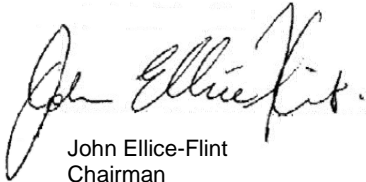
## DIRECTORS' REPORT

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, dated 24 March 2016, 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:

A handwritten signature in black ink, appearing to read 'John Ellice-Flint', is written over a faint, light blue circular stamp.

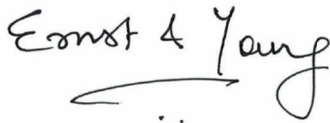
John Ellice-Flint  
Chairman  
Brisbane  
15 September 2020

## Auditor's Independence Declaration to the Directors of Blue Energy Limited

As lead auditor for the audit of the financial report of Blue Energy Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Madhu Nair  
Partner  
15 September 2020

## 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 subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; 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 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 the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions 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 judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

### Carrying Value of Capitalised Exploration and Evaluation Expenditure

#### Why significant

At 30 June 2020, the Group held capitalised exploration and evaluation assets of \$59.37 million.

The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation expenditure may exceed its recoverable amount.

The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable.

The Group identified impairment indicators for certain non-core exploration tenements in the Cooper Basin. For these tenements, the Group has ceased exploration and evaluation activities and intends to relinquish the tenements at the next renewal date. The Group recorded an impairment charge of \$4.07 million during the year ended 30 June 2020.

Given the size of the balance and the judgmental nature of impairment indicator assessments associated with exploration and evaluation activities, this was considered to be a key audit matter.

Refer to Note 3.1 in the financial report for capitalised mineral exploration and evaluation asset balances and related disclosures.

#### How our audit addressed the key audit matter

We considered the Group's assessment as to whether there were impairment indicators present that required capitalised exploration and evaluation assets to be tested for impairment as at 30 June 2020.

In performing our procedures, we:

- ▶ Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements and correspondence with relevant government agencies;
- ▶ Considered the Group's intention to carry out significant ongoing exploration and evaluation activities in the relevant areas of interest which included reviewing the Group's Board approved cash-flow forecast, enquiring of senior management and Directors as to their intentions and considering the strategy of the Group;
- ▶ Considered the Group's assessment of whether the commercial viability of extracting mineral resources had been demonstrated and whether it was appropriate to continue to classify the capitalised expenditure for the area of interest as an exploration and evaluation asset;
- ▶ Considered the completeness of the Group's identified indicators of impairment under AASB 6;
- ▶ Recalculated the impairment charge recognised at 30 June 2020, to confirm it reduced the carrying amount of the impaired tenements to \$nil; and
- ▶ Assessed the adequacy of the disclosures in the financial report.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report 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, with the exception of the Remuneration Report and our related assurance opinion.



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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have 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 judgment 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.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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 Audit of the Remuneration Report

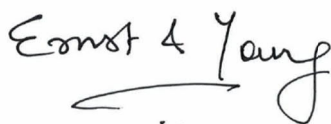
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Blue Energy Limited for the year ended 30 June 2020, 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.



Ernst & Young



Madhu Nair  
Partner  
Brisbane  
15 September 2020

# FINANCIAL STATEMENTS

## Consolidated Statement of Comprehensive Income FOR YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
Other income	6.1	153	46
<b>Total Income</b>		<b>153</b>	<b>46</b>
Operating and administration expenses	6.3	(1,052)	(1,210)
Asset impairment and write-off expense	6.3	(4,074)	(4,374)
Expenses for equity settled share based payments		(84)	(342)
<b>Loss before income tax</b>		<b>(5,057)</b>	<b>(5,880)</b>
Income tax benefit/(expense)	6.4	-	-
<b>Loss after income tax expense</b>		<b>(5,057)</b>	<b>(5,880)</b>
<b>Total comprehensive loss for the year</b>		<b>(5,057)</b>	<b>(5,880)</b>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the parent		(5,057)	(5,880)
<b>Total comprehensive loss for the year</b>		<b>(5,057)</b>	<b>(5,880)</b>
Loss per share (cents per share):			
- basic	6.5	(0.38)	(0.45)
- diluted	6.5	(0.38)	(0.45)

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

# FINANCIAL STATEMENTS

## Consolidated Statement of Financial Position AS AT 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4.1	4,306	5,001
Trade and other receivables		99	90
<b>Total Current Assets</b>		<b>4,405</b>	<b>5,091</b>
<b>Non-Current Assets</b>			
Plant and equipment		46	10
Trade and other receivables		169	169
Exploration & evaluation expenditure	3.1	59,366	62,292
<b>Total Non-Current Assets</b>		<b>59,581</b>	<b>62,471</b>
<b>TOTAL ASSETS</b>		<b>63,986</b>	<b>67,562</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	4.3	465	497
<b>Total Current Liabilities</b>		<b>465</b>	<b>497</b>
<b>Non-Current Liabilities</b>			
Long term provisions	3.2.2	786	746
<b>Total Non-Current Liabilities</b>		<b>786</b>	<b>746</b>
<b>TOTAL LIABILITIES</b>		<b>1,251</b>	<b>1,243</b>
<b>NET ASSETS</b>		<b>62,735</b>	<b>66,319</b>
<b>EQUITY</b>			
Issued capital	5.1	139,997	138,517
Reserves	5.2	8,823	8,830
Accumulated losses		(86,085)	(81,028)
<b>TOTAL EQUITY</b>		<b>62,735</b>	<b>66,319</b>

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

# FINANCIAL STATEMENTS

## Consolidated Statement of Changes in Equity FOR THE YEAR ENDED 30 JUNE 2020

	Issued Capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total Equity \$'000
<b>Balance at 30 June 2018</b>	<b>132,962</b>	<b>(75,148)</b>	<b>10,046</b>	<b>67,860</b>
<b>Total comprehensive loss</b>				
Loss for the year	-	(5,880)	-	(5,880)
<b>Total comprehensive loss for the year</b>	-	(5,880)	-	(5,880)
<b>Transaction with owners in their capacity as owners</b>				
Issue of new shares	4,200	-	-	4,200
Capital raising costs	(203)	-	-	(203)
Option expense – share based payments	-	-	342	342
Transfer from options reserve to share capital	1,558	-	(1,558)	-
<b>Total transactions with owners</b>	<b>5,555</b>	<b>-</b>	<b>(1,216)</b>	<b>4,339</b>
<b>Balance at 30 June 2019</b>	<b>138,517</b>	<b>(81,028)</b>	<b>8,830</b>	<b>66,319</b>
<b>Total comprehensive loss</b>				
Loss for the year	-	(5,057)	-	(5,057)
<b>Total comprehensive loss for the year</b>	-	(5,057)	-	(5,057)
<b>Transaction with owners in their capacity as owners</b>				
Issue of new shares	1,420	-	-	1,420
Capital raising costs	(31)	-	-	(31)
Option expense – share based payments	-	-	84	84
Transfer from options reserve to share capital	91	-	(91)	-
<b>Total transactions with owners</b>	<b>1,480</b>	<b>-</b>	<b>(7)</b>	<b>1,473</b>
<b>Balance at 30 June 2020</b>	<b>139,997</b>	<b>(86,085)</b>	<b>8,823</b>	<b>62,735</b>

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

# FINANCIAL STATEMENTS

## Consolidated Statement of Cash Flows FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts of refunds of GST, other tax credits and government grants		173	85
Payments to employees		(281)	(253)
Payments to suppliers		(962)	(927)
Interest received		83	42
<b>Net cash flows used in operating activities</b>	<b>4.1</b>	<b>(987)</b>	<b>(1,053)</b>
<b>Cash flows from investing activities</b>			
Funds provided for exploration and evaluation		(1,105)	(684)
Proceeds from sale of property, plant and equipment		-	3
<b>Net cash flows used in investing activities</b>		<b>(1,105)</b>	<b>(681)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		1,420	4,200
Capital raising costs		(23)	(168)
<b>Net cash flows provided by financing activities</b>		<b>1,397</b>	<b>4,032</b>
Net (decrease)/increase in cash and cash equivalents held		(695)	2,298
Cash and cash equivalents at beginning of financial year	4.1	5,001	2,703
<b>Cash and cash equivalents at end of financial year</b>	<b>4.1</b>	<b>4,306</b>	<b>5,001</b>

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 2020 were authorised for issue in accordance with a resolution of the directors on 15 September 2020. 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 (%)	
		2020	2019
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 controlled entities and Blue Energy Limited as an individual parent entity, complies 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. Comparatives between the 2019 and the 2020 year-end balance dates are provided for the Group. 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.

At 30 June 2020, the Group had \$4.3 million in cash and cash equivalents, which includes \$402k of restricted cash. The Board is satisfied that the Group will successfully meet its minimum expenditure commitment (including negotiating deferral of minimum expenditure commitments until access and activity approvals are received) such that current cash resources are sufficient to fund the Group's minimum exploration expenditure commitments for a period of at least 12 months from the date of issuing this report.

### **2.1.2 Going concern (continued)**

Furthermore, it is recognised that the Group's cash and cash equivalents at 30 June 2020 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.

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.

On the basis of the 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, there would be significant uncertainty 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 2020. All 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 2020 (2019:100%). 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 recognized.



For the year ended 30 June 2020

### 2.3.2 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 2020 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.

### 2.3.3 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.

### 2.3.4 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.

### 2.3.5 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.

## 2.4 New accounting standards and interpretations adopted

Australian Accounting Standards and Interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new standards and interpretations, if applicable, when they become effective.

Title	Effective date for the Group	Effective Date
AASB16: Leases	1 July 2019	1 January 2019
AASB Interpretation 23: Uncertainty over Income Tax Treatment	1 July 2019	1 January 2019

The Group adopted AASB16 - Leases at 1 July 2019. The objective of AASB 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet these objectives, the lessee should recognise assets and liabilities arising from a lease as such will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

There has been no significant changes to the Group's financial performance and position as a result of the adoption of new and amended accounting standards and interpretations because the Group previously only had the office lease and photo copier lease classified as non-cancellable operating leases and both are immaterial to the financials. The Group does not act as lessor and had no finance leases under the previous lease standard AASB 117.

### AASB Interpretation 23: Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

### AASB Interpretation 23: Uncertainty over Income Tax Treatment (cont)

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated 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.

	2020 \$'000	2019 \$'000
Exploration and evaluation expenditure acquired	13,648	13,648
Other exploration and evaluation expenditure capitalised	75,838	74,720
Restoration costs (Note 3.2.3)	748	718
Accumulated impairment of exploration and evaluation expenditure	(30,868)	(26,794)
<b>Total exploration &amp; evaluation expenditure</b>	<b>59,366</b>	<b>62,292</b>

As noted in the directors' report, in respect of ATP 813P, ATP 814P and ATP 854P Permits, the Group has variously lodged Petroleum Lease (PL's), Potential Commercial Areas (PCA's) and/or ATP renewal applications covering these tenures with the Department of Natural Resources, Mines and Energy prior to the expiry date of the respective Permits. Tenure for these permits continue in force until determination is made by the Department of Natural Resources, Mines and Energy. 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 2021. These Permits are under suspension as granted by the government as a result of ongoing delays in approval processes from Government and now COVID19 access restrictions. The suspension is in place until February 2021 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.

The 'Impairment of exploration and evaluation expenditure' has increased by \$4.074m, as a result of impairment to nil on the Cooper blocks ATPs 656,657,658 and 660 following the Board's decision to review the merits of withdrawing the application to renew the ATPs due to the environmental regulatory uncertainty and future access restrictions relating to proposed Pristine rivers on the Blocks. Notwithstanding the impairment, the Group is attempting to recuperate some nominal back costs through a transaction with an Australian Energy Company.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## Exploration and evaluation expenditure accounting policy (Cont)

All capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. 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.

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 Commitments

### 3.2.1 Exploration commitments

All oil and gas exploration tenements, as a general rule, are granted with attached statutory work obligations. These work obligations can in certain circumstances and from time to time, be varied through negotiation with the respective State Regulator. Funding of these work obligations can be undertaken in several different ways. A company may choose to farm down (reduce) its equity in a respective tenement in return for a free carry of the work program by a farminee. A company could alternatively choose to monetise another existing asset to raise funds to undertake the work program; or a company may decide to issue equity (shares) and raise capital from investors for a specific work program on exploration tenements. In the overarching permit and capital management environment of a company it may also decide that some assets (tenements) are of higher technical risk, or lower potential economic return in the current macro economic environment and therefore should be relinquished by the company without committing further capital. This would then eliminate the work program and the tenement from the asset inventory. All these options remain available to Blue Energy in its management of its exploration tenements going forward.

### 3.2.2 Provisions

	2020 \$'000	2019 \$'000
<b>Non current</b>		
Provision for restoration and rehabilitation <sup>(1)</sup>	749	718
Provision for long service leave	37	28
<b>Balance at 30 June</b>	<b>786</b>	<b>746</b>

<sup>(1)</sup> Future estimated costs for the restoration and rehabilitation of areas affected by exploration activities.

## 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:

	2020 \$'000	2019 \$'000
Cash at bank and in hand	605	2,301
Short-term deposits	3,299	2,298
Other restricted deposits	402	402
<b>Total</b>	<b>4,306</b>	<b>5,001</b>

The restricted deposits of \$402,444 (2019: \$402,444) 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 0.86% (2019: 2.48%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

	2020 \$'000	2019 \$'000
Loss after income tax	(5,057)	(5,880)
<i>Adjustments for non-cash items</i>		
Cash flows excluded from profit/(loss) attributable to operating activities:		
Depreciation	56	12
Share options expensed	84	342
Asset impairment expense	4,074	4,374
Other non-cash items	10	9
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade debtors and receivables	(9)	(43)
Decrease/(increase) in fixed assets - leases	(89)	-
Decrease/(increase) in trade creditors, accruals, sundry provisions	(31)	2
Increase/(decrease) in provisions and employee entitlements	(24)	131
<b>Net cash used in operating activities</b>	<b>(987)</b>	<b>(1,053)</b>

Cash and cash equivalents in the statement of financial position comprise cash at bank and short term deposits which will mature within about three months of 30 June 2020.

## 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 rate.

### 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:

2020	Note	Weighted Average Interest Rate	Fixed Interest Rate \$'000	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>Financial Assets</b>						
Cash at bank and in hand	4.1	-	-	605	-	605
Short-term deposits	4.1	1.71%	3,701	-	-	3,701
Trade and other receivables		-	-	-	99	99
<b>Total</b>			<b>3,701</b>	<b>605</b>	<b>90</b>	<b>4,405</b>
<b>Financial Liabilities</b>						
Trade and other payables	4.3	-	-	-	465	465
<b>Total</b>			-	-	<b>465</b>	<b>465</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

2019	Note	Weighted Average Interest Rate	Fixed Interest Rate \$'000	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>Financial Assets</b>						
Cash at bank and in hand	4.1	0.26%	-	2,301	-	2,301
Short-term deposits	4.1	2.48%	2,700	-	-	2,700
Trade and other receivables		-	-	-	90	90
<b>Total</b>			<b>2,700</b>	<b>2,301</b>	<b>90</b>	<b>5,091</b>
<b>Financial Liabilities</b>						
Trade and other payables	4.3	-	-	-	497	497
<b>Total</b>			<b>-</b>	<b>-</b>	<b>497</b>	<b>497</b>

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 \$665,458 (2019: \$665,458). 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	2020 \$'000	2019 \$'000
Less than 90 days		99	90
91 days +		169	169
<b>Trade and other receivables</b>		<b>268</b>	<b>259</b>

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

	Note	2020 \$'000	2019 \$'000
Less than 9 months		453	422
Greater than 9 months		12	75
<b>Current trade and other payables</b>	4.3	<b>465</b>	<b>497</b>

## Net fair values

Net fair values of financial assets and liabilities disclosed are materially in line with carrying values at 30 June 2020 and 30 June 2019.

## 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 2020, 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:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## Interest rate sensitivity analysis (cont)

	2020 \$'000	2019 \$'000
Change in pre-tax profit/(loss)		
- Increase in interest rate by 2%	74	54
- Decrease in interest rate by 2%	(74)	(54)
Change in pre-tax equity		
- Increase in interest rate by 2%	74	54
- Decrease in interest rate by 2%	(74)	(54)

## 4.3 Trade and other payables

	2020 \$'000	2019 \$'000
Current:		
Trade payables	45	79
Lease liability	35	-
Sundry payables and accrued expenses <sup>(1)</sup>	45	56
Employee cost & expenses payable	340	362
<b>Total</b>	<b>465</b>	<b>497</b>

<sup>(1)</sup>Sundry payables and accrued expenses include Nil payable to key management and Directors at the end of the financial year (2019: Nil).

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

### 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. 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

At each reporting date the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income. The Group uses a provision matrix to calculate expected credit losses for trade and other receivables. The provision rates are based on number of days past due for groupings of various third parties that have similar loss patterns.

### Trade and other payables accounting policy

Trade payables and other payables are carried at cost and 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

	2020		2019	
	Number of Shares	\$'000	Number of Shares	\$'000
<b>Ordinary shares:</b>				
Issued & Fully Paid	1,328,882,513	139,997	1,295,397,290	138,517
<b>Movements in ordinary shares on issue:</b>				
Opening balance	1,295,397,290	138,517	1,175,811,066	132,962
Issued shares at 4.5c/share - share placement	-	-	93,333,334	4,200
Issued shares at 4.5c/share - share purchase plan	31,555,465	1,420	-	-
Issue on exercise of employee incentive rights	1,929,758	91	26,252,890	1,558
Capital raising costs	-	(31)	-	(203)
<b>Closing balance</b>	<b>1,328,882,513</b>	<b>139,997</b>	<b>1,295,397,290</b>	<b>138,517</b>

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, otherwise each shareholder has one vote on a show of hands.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5.1 Issued share capital (cont)

The Company did not pay a dividend during the year ended 30 June 2020, nor has any dividend been proposed up to the reporting date (2019: 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.

From 30 June 2020 to the date of this report shares were issued with respect to the rights that vested on 30 June 2020. These were physically issued on 3rd July 2020.

As per the Employee Incentive performance Plan ("EIRP"), the rights that vested on 30 June 2020 were unconditional and therefore there was a right to shares as at that date. These were physically issued on 2 July 2020. As they were issued during a restricted trading period, the Company arranged for them to be issued for the Directors' benefit by the trustee of the Blue Energy Employee Share Trust (Blue Energy EST) and were transferred from the trust to the Directors on 4 August 2020.

### Options over shares

During the year no options were granted (2019: Nil).

From 30 June 2020 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 no new employee incentive rights (2019: Nil). At year end, 6,400,000 retention rights and 5,692,500 (2019: 26,252,890) incentive rights vested and 5,692,500 incentive rights lapsed. Of the total 12,092,500 rights that vested – 2,000,000 were exercised. Per the conditions of the EIRP, 1,929,758 (2019: 26,252,890) exercised rights were issued as ordinary shares and the remaining 70,242 rights (2019: 111,110) were paid in cash. None of the employee incentive rights are listed.

The following table lists the unexpired employee incentive rights at reporting date:

#### 2020 Rights Details

Effective Grant Date	Exercise Date	Type of Right	Exercise Price	Fair value at Grant Date	Number of Rights at beginning of period	Rights Granted	Rights Lapsed <sup>(1)</sup>	Rights Vested <sup>(2)</sup>	Number of Rights at 30 June 2020
30-Jun-16	30-Jun-20	Retention	nil	\$0.014	6,400,000	-	-	(6,400,000)	-
30-Jun-18	30-Jun-20	Performance	nil	\$0.0473	11,385,000	-	(5,692,500) <sup>(3)</sup>	(5,692,500)	-
30-Jun-19	30-Jun-21	Performance	nil	-	-	-	-	-	-
30-Jun-20	30-Jun-22	Performance	nil	-	-	-	-	-	-
					17,785,000	-	(5,692,500)	(12,092,500)	-

<sup>(1)</sup> Percentage of KMP rights lapsed during the year was 32%.

<sup>(2)</sup> Percentage of KMP rights vested during the year was 68%.

<sup>(3)</sup> Per the EIRP rules, these rights met the '50%' vesting target and the remaining rights lapsed on 30 June 2020.

<sup>(4)</sup> 2,000,000 vested rights were exercised, of these 1,929,758 were issued as shares and 70,242 were issued as cash (\$3,000)

#### 2019 Rights Details

Effective Grant Date	Exercise Date	Type of Right	Exercise Price	Fair value at Grant Date	Number of Rights at beginning of period	Rights Granted	Rights Lapsed <sup>(1)</sup>	Rights Vested <sup>(2)</sup>	Ceased being KMP	Number of Rights at 30 June 2019
30-Jun-16	30-Jun-20	Retention	nil	\$0.014	6,400,000 <sup>(4)</sup>	-	-	-	-	6,400,000 <sup>(4)</sup>
30-Jun-17	30-Jun-19	Performance	nil	\$0.05934	25,386,000 <sup>(3)</sup>	-	-	(25,386,000) <sup>(3)</sup>	-	-
30-Jun-18	30-Jun-20	Performance	nil	\$0.0473	11,385,000	-	-	-	-	11,385,000
30-Jun-19	30-Jun-21	Performance	nil	-	-	-	-	-	-	-
					43,171,000 <sup>(3)</sup>	-	-	(25,386,000) <sup>(3)</sup>	-	17,785,000

<sup>(1)</sup> Percentage of KMP rights lapsed during the year was 0%.

<sup>(2)</sup> Percentage of KMP rights vested during the year was 59%.

<sup>(3)</sup> This total excludes 978,000 rights that were issued to an employee in July 2017, these rights also vested on 30 June 2019.

<sup>(4)</sup> These rights will vest once retention criteria is met on 30 June 2020.

Weighted average exercise price – nil

Weighted average remaining contract life is 365 days

Expense recognised during the year to 30 June 2019 \$342k (2018: \$419k)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## Rights over shares (continued)

Incentive rights under the EIRP comprise retention rights and performance rights. For retention rights to vest the employee must remain with the Company for an agreed period from the effective issue date. The portion of performance rights that vest is determined by Blue Energy's total shareholder return (TSR) as determined by an independent advisor over the 3 year period from the effective issue date. The minimum compound annual TSR for the three years is 15% which results in a 25% vesting rate for the employee. At present, the Board has determined that the issue of performance rights will be limited to those individuals (Key Management Personnel) who have a direct ability to influence the performance of the Group.

The weighted average fair value of employee incentive rights that vested at 30 June 2020 was \$0.0473 (2019: \$0.035). The value of retention rights granted was calculated based upon the maximum number of retention rights issued multiplied by the prevailing share price as at the date of issue – Nil were issued at 30 June 2020 (2019: Nil).

The fair value of performance rights, granted on 30 June 2018 and vested on 30 June 2020, was calculated using the Monte-Carlo pricing model utilising the following inputs <sup>(6)</sup>:

	Note	2020	2019	2018
- Exercise price	1	-	-	\$0.0
- Share Price at 30 June	2	-	-	\$0.091
- Exercise Date		-	-	30 June 2020
- Expiry date		-	-	30 June 2021
- Expiry Period		-	-	4 years
- Expected share price volatility	3	-	-	75%
- Risk free interest rate	4	-	-	2%
- Dividend yield	5	-	-	0%
- Fair value at grant date		-	-	\$0.0473

1. In substance, the performance right is an option with a zero exercise price.
2. The underlying share price was based on the price of the security on the ASX on 30 June 2018.
3. The volatility of the share price of Blue Energy was calculated using Hoadley's volatility calculator, using data extracted from Bloomberg.
4. The risk free rate is the Commonwealth Government securities rate with a maturity date approximating that of the expiration period of the options. (Source: Reserve Bank of Australia)
5. The Company's best estimate of dividend yield, representing a discount to long-term dividend policy to reflect build up of dividend payout over the life of the performance rights.
6. No rights were granted in FY19 or FY20.

## 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 granted options over shares to employees under an employee share option plan. The fair value of options 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 option taking into account the probability of the options vesting. The fair value of options granted is measured using the Monte Carlo pricing model, taking into account the terms and conditions upon which the options were granted.

The Group has ceased to grant options over shares to employees under an employee share option plan and 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 Monte Carlo 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5.2 Reserves

### Option reserve

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

	2020 \$'000	2019 \$'000
<b>Reserves:</b>		
Options Reserve opening balance	8,830	10,046
Share based payments expenses	84	342
Transfer to share capital	(91)	(1,558)
<b>Total Reserves</b>	<b>8,823</b>	<b>8,830</b>

## 5.3 Related party disclosures

During the financial year the following related party transactions occurred:

### 5.3.1 Key management personnel

	2020 \$	2019 \$
--	------------	------------

Decambruns Pty Ltd – an entity associated with Rodney Cameron (Director of Blue Energy Limited – November 2011 to present). In 2020 superannuation was paid directly into superannuation fund. 60,360      66,000

Mojo Enterprises Pty Ltd – an entity associated with Karen Johnson (Director of Blue Energy Limited – September 2011 to present) In 2020, Ms Johnson's fees (\$60,360) were paid via the Company's payroll and superannuation was paid directly into superannuation fund. -      66,000

The non-executive Directors fees were \$60,000pa, RAC fees were \$5,000pa both inclusive of superannuation. In addition, following the rules of the EIRP, they also each received \$1,000 (2019: \$1,000) being the cash element of the rights that vested in the financial year. Superannuation is due on this payment.

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 is as follows:

	2020 \$	2019 \$
Short term employee benefits	697,722	712,750
Post-employment benefits	55,563	44,213
Share based payments	14,553	337,160
<b>Total</b>	<b>767,838</b>	<b>1,094,123</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 6 RESULTS FOR THE YEAR

### 6.1 Income

	2020 \$'000	2019 \$'000
<b>Other Income</b>		
Interest received	78	43
Gain on sale of asset	-	3
Other income (Government COVID19 cash bonus)	75	-
<b>Total Income</b>	<b>153</b>	<b>46</b>

#### 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

	2020 \$'000	2019 \$'000
<b>Operating &amp; administration expenses</b>		
Employee benefit expenses	218	307
Superannuation expense	55	48
Legal fees	74	70
Consultants' fees	40	36
Business development costs	31	-
Depreciation expense (incl lease depreciation)	56	12
Travel costs	47	47
Directors' fees	132	134
Accounting and compliance fees	177	248
Occupancy costs	68	132
Insurance costs	60	41
Information systems costs	20	28
Communications costs	14	20
Investor relations costs	34	18
Other	25	69
<b>Total</b>	<b>1,052</b>	<b>1,210</b>

	2020 \$'000	2019 \$'000
<b>Inventory write down expense</b>		
Inventory write down expense (included in 'other' above)	-	46
<b>Total</b>	<b>-</b>	<b>46</b>

	2020 \$'000	2019 \$'000
<b>Asset impairment expense</b>		
Adjustment to provisions for impairment of exploration asset	4,074	-
Adjustment to provisions for exploration asset write-off	-	4,374
<b>Total</b>	<b>4,074</b>	<b>4,374</b>

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 6.4 Income tax

### The components of tax expense comprise:

#### Current income tax

Current income tax charge  
Adjustments in respect of current income tax of previous years

#### Deferred income tax

Current year tax losses not recognised in the current year  
Income tax (benefit)/expense reported in statement of comprehensive income

2020 \$'000	2019 \$'000
(1,514)	(1,523)
-	-
1,514	1,523
-	-

### The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:

Accounting loss before income tax  
Prima facie (income tax payable) / tax losses generated on loss before income tax at 30% (2019: 27.5%)  
Sundry non-deductible expenses  
Tax losses and temporary differences not recognised  
Income Tax (benefit)/expense

2020 \$'000	2019 \$'000
(5,057)	(5,880)
1,517	1,617
(3)	(94)
(1,514)	(1,523)
-	-

### Deferred Tax Assets

Deferred tax assets include:

Temporary differences, excluding benefits of tax losses, attributable to:

Provisions  
Accruals  
Business related costs  
Other

2020 \$'000	2019 \$'000
323	299
5	6
57	75
10	-
395	380
17,426	16,758
17,821	17,138

Losses available for offsetting against future taxable income

### Total deferred tax assets

### Deferred Tax Liabilities

Deferred tax liabilities include:

Temporary differences attributable to:  
Exploration and evaluation expenditure  
Prepayments  
Interest receivable  
Other

### Total net deferred tax liabilities

2020 \$'000	2019 \$'000
17,810	17,130
(1)	6
-	2
12	-
17,821	17,138
-	-

### Total net deferred tax liabilities

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

At 30 June 2020, the Group has consolidated carry forward tax losses of \$122.5m (tax effected at 30% to \$36.7m) and at 30 June 2019, the Group had consolidated tax losses of \$120.2m (tax effected at 27.5% to \$33.1m). 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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 2020 and 2019. Deferred tax is calculated using 30% and 27.5% 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:

	2020 \$'000	2019 \$'000
Net loss attributable to ordinary equity holders of the parent	(5,057)	(5,880)
Weighted average number of ordinary shares for basic earnings per share	1,325,837	1,179,463
Weighted average number of ordinary shares for dilutive earnings per share	1,325,837	1,179,463
	\$	\$
Basic EPS	(0.0038)	(0.0045)
Diluted EPS	(0.0038)	(0.0045)

A total of Nil (2019: 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

	2020 \$'000	2019 \$'000
Fees to Ernst & Young for:		
- Fees for audit and review of financial statements	58	39
- Fees for other services – tax compliance	11	11
<b>Total</b>	<b>69</b>	<b>50</b>

## 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	2020	2019
	\$'000	\$'000
Current assets	4,007	4,667
Total assets	62,678	66,185
Current liabilities	502	470
Total liabilities	502	498
<i>Shareholders' equity</i>		
Issued capital	139,997	138,517
Reserves	8,823	8,830
Accumulated losses	(86,644)	(81,660)
	<b>62,176</b>	<b>65,687</b>
<b>Statement of comprehensive income</b>		
Loss for the year attributable to owners of the parent	(4,983)	(5,880)
Total comprehensive loss attributable to owners of the parent	<b>(4,983)</b>	<b>(5,880)</b>

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 2020:

Bank guarantees parent entity - \$149k (2019: \$149k), these relate to financial assurances for ATPs held by Blue Energy Limited and the office lease bond.

#### 7.1.3 Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2020, the parent entity had no contractual commitments for the acquisition of property, plant and equipment (2019: nil).

### 7.2 Contingent assets and liabilities

The Directors are not aware of any other material contingent liabilities or contingent assets at 30 June 2020, not otherwise disclosed in this report.

### 7.3 Events subsequent to the reporting date

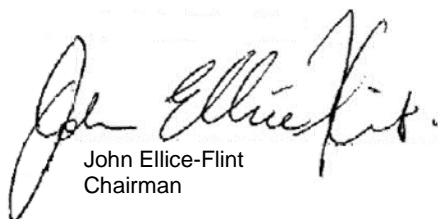
No material events have occurred from balance date up to the release date of this report.

**Directors' Declaration**

The Directors of Blue Energy Limited declare that:

1. the financial statements and notes, as set out on pages 19 to 37, 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 2020 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 2019 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 15<sup>th</sup> day of September 2020

## ADDITIONAL SHAREHOLDER INFORMATION

### 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 9<sup>th</sup> September 2020.

#### (a) Distribution of Equity Securities

##### Ordinary Share Capital

There are 1,328,882,513 fully paid ordinary shares, held by 5,659 individual shareholders. There is no current on-market buy-back. All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of holders of ordinary shares by range is:

##### Range of Units As Of 9/09/2020

Composition : ORD

Range	Total holders	Units	% Units
1 - 1,000	272	41,096	0.00
1,001 - 5,000	598	2,042,586	0.15
5,001 - 10,000	648	5,432,498	0.41
10,001 - 100,000	2,660	110,369,942	8.31
100,001 Over	1,481	1,210,996,391	91.13
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>5,659</b>	<b>1,328,882,513</b>	<b>100.00</b>

##### Unmarketable Parcels

Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.0470 per unit	10,639	1,544
		7,785,371

#### (b) Substantial Shareholders

Rank	Name	Units	% of units
1	JEACH PTY LTD <THE PIPPI SUPER FUND A/C>	125,772,734	9.46
2	GREIG & HARRISON PTY LTD	119,413,188	8.98

#### (c) Twenty Largest Holders of Quoted Equity Securities

##### Top Holders (Grouped) As Of 9/09/2020

Rank	Name	Units	% Units
1	JEACH PTY LTD <THE PIPPI SUPER FUND A/C>	125,772,734	9.46
2	GIRDIS SUPERANNUATION PTY LTD C/-ELLICE-FLINT FINANCIAL PLAN LEVEL 13	37,212,065	2.80
3	HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	32,513,777	2.45
4	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	31,255,298	2.35
5	GEOTECH RESOURCES PTY LTD <PHILLIPS FAMILY A/C>	31,229,574	2.35
6	ROSSDALE SUPERANNUATION PTY LTD <ROSSDALE SF A/C>	21,780,000	1.64
7	NGA PROMOTIONS PTY LTD	20,000,000	1.51
8	BETA GAMMA PTY LTD <WALSH STREET SUPER FUND A/C>	17,457,388	1.31
9	HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C>	15,308,333	1.15
10	CITICORP NOMINEES PTY LIMITED	14,088,377	1.06
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,884,604	0.97
12	GUPTA MGMT PTY LTD <GUPTA MEDICAL P/L S P F A/C>	10,600,000	0.80
13	SEYMOUR GROUP PTY LTD	10,538,642	0.79
14	ZIRKO PTY LTD	10,000,000	0.75
15	NEW GREENWICH PTY LTD <NEW GREENWICH S/F A/C>	9,753,503	0.73
16	IDOLLINK PTY LTD <MCKEITH SUPER FUND A/C>	9,575,651	0.72
17	PAKASOLUTO PTY LIMITED <BARKL FAMILY SUPER FUND A/C>	9,013,096	0.68
18	BOND STREET CUSTODIANS LIMITED <STODAV - D72799 A/C>	8,591,000	0.65
19	KELPADOR INVESTMENTS PTY LTD <KELPADOR SUPERANNUATION A/C>	7,274,333	0.55
20	MR STUART THOMAS BAKER + MRS MARIE BAKER <BAKER SUPER FUND A/C>	6,539,176	0.49
<b>Totals: Top 20 holders of ORD FULLY PAID SHARES (Total)</b>		<b>441,387,551</b>	<b>33.21</b>

#### (d) Voting Rights

Ordinary shares carry one vote per share and carry the rights to dividends. Options and rights have no voting rights or rights to dividends.

**BLUE ENERGY LIMITED**  
ACN 054 800 378

**DIRECTORS**



John Ellice-Flint    (Executive Chairman)  
John Phillips        (Managing Director)  
Karen Johnson      (Non-Executive Director)  
Rodney Cameron    (Non-Executive Director)

**COMPANY SECRETARY**

Stephen Rodgers



**REGISTERED OFFICE**

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 +61 7 3270 8899


**BRISBANE OPERATIONS**

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**SHARE REGISTRY**

Computer Share Registry Services Limited  
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Brisbane QLD 4000

 1300 552 270

**AUDITORS**

Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000

**STOCK EXCHANGE**

ASX Limited  
Riverside Centre  
Level 5, 123 Eagle Street  
Brisbane QLD 4000

Trading code  
Ordinary shares: **BLU**