FINANCIAL REPORT FOR THE YEAR

ENDED 30 JUNE 2023

BLUE ENERGY LIMITED
ACN 054 800 378

CONTENTS

The Directors of Blue Energy Limited ("the Company", "Blue Energy", or "BLU") submit herewith their report on the Company and its controlled entities ("the Group") with respect to the financial year ended 30 June 2023.

DIRECTORS

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

Name	Position	Date Appointed
John Ellice-Flint	Executive Chairman	05/04/2012
John Phillips	Managing Director (Executive)	28/06/2010
Rodney Cameron	Non-executive Director (Deputy Chairman)	15/11/2011
Mark Hayward	Non-executive Director	16/02/2021
Darren Greer	Non-executive Director	17/08/2023

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

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

Rodney is a member of the Risk and Audit Committee.

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

Mark chairs the Risk and Audit Committee.

Darren Greer BEngineering (Mechanical), MIEAust CPEng EngExec NER RPEQ
Darren is an engineer with over 24 years of exploration, development, and commercial experience in the oil and gas industry. He has held senior operations roles with exploration and production companies and multinational drilling services. Darren's experience includes operational roles with Santos and Woodside, Australia's largest oil and gas companies. His previous experience also includes executive positions with Senex Energy, Transfield Services, Easternwell and High Arctic Energy Services, where he held President, COO and Chief Executive roles. Darren holds a Bachelor of Mechanical Engineering degree from the Queensland University of Technology and is a Chartered Engineer and Engineering Executive with Engineers Australia.

Directorships of other listed companies
No Directorships in other listed companies were held by current directors in the three years up to 30 June 2023.

COMPANY SECRETARY

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

EARNINGS PER SHARE

	2023 (Cents)	2022 (Cents)
Basic loss per share	(0.08)	(0.10)
Diluted loss per share	(0.08)	(0.10)

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 (2022: nil).

PRINCIPAL ACTIVITIES

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

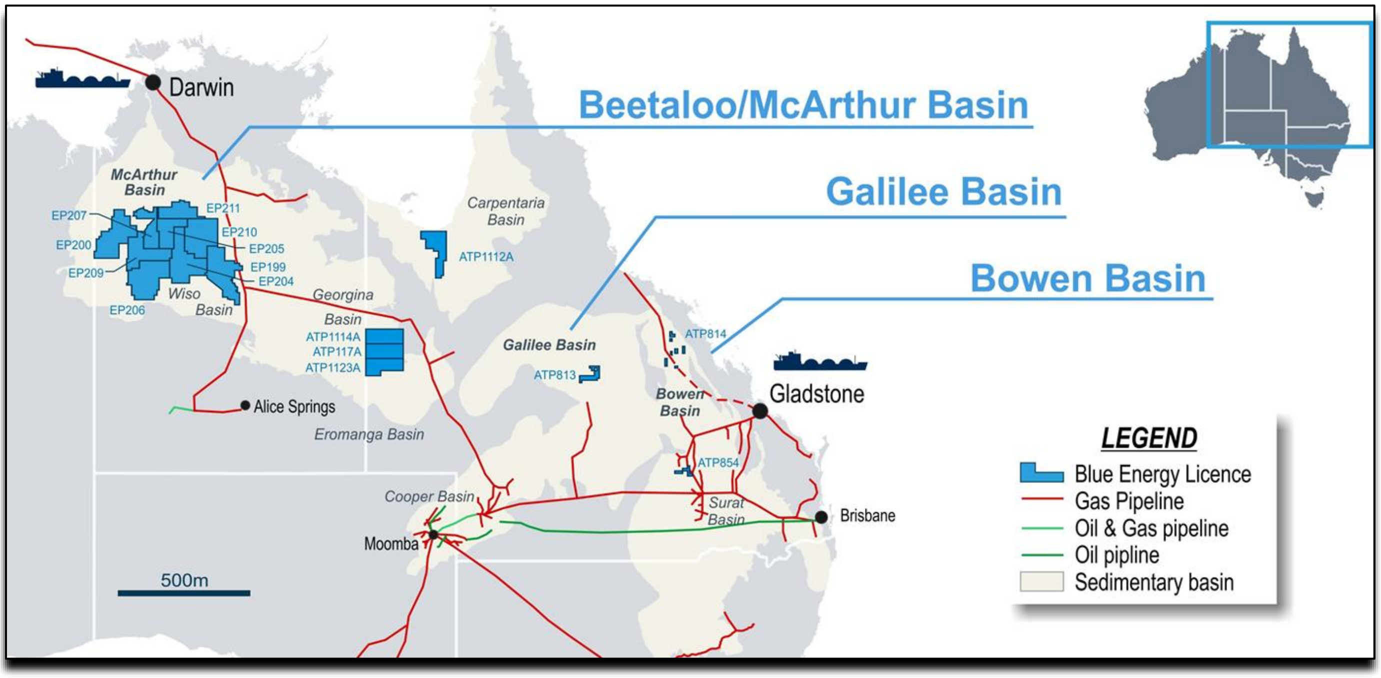

Figure 1: The Blue Energy exploration asset portfolio
Source: Blue Energy Ltd.

OPERATING AND FINANCIAL REVIEW

Reserve and Resource Position

On 14 July 2022 Blue Energy announced an increase in the reserve and resource estimate for the Sapphire Block (PL 1034 application area) including a 98% increase in 2C resources and a 17% increase in 3P gas reserves. Table 1 presents Blue Energy's gas reserves and resources (net) after the 14 July 2022 resource and reserves upgrade for the Sapphire Block (PL 1034 application area). Subsequent to 30 June 2023, reserves and resources for the company were further updated, and these new values are reflected in Table 5 on page 12.

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

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

As described above, the Reserve and Resource inventory presented in Table 1 does not reflect the results of the 2022 Sapphire drilling program that was completed during the last half of calendar year 2022. Geological data derived from the drilling program was forwarded to NSAI and subsequent to 30 June 2023 an updated resource and reserve statement was released as summarised in Tables 2 to 5 on pages 11 and 12.

Table 1: Reserve and Resource Inventory as at 30 June 2023

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

+Listing Rule 5.42 Disclosure

The estimates of Reserves and Contingent Resources noted throughout this Directors' Report have been provided by Mr John Hattner of Netherland, Sewell and Associates Inc (NSAI) and were originally reported in the Company's market announcements of 25 January 2012, 26 February 2013, 19 March 2013, 8 December 2015, 28 February 2019, 22 January 2022, 14 July 2022 and 31 July 2023. NSAI independently regularly reviews the Company's Reserves and Contingent Resources. Mr Hattner is a full-time employee of NSAI, has over 30 years of industry experience and 20 years of experience in reserve estimation, is a licensed geologist and a member of the Society of Petroleum Engineers (SPE), and has consented to the use of the information presented herein. The estimates in the reports by Mr Hattner have been prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum and Resource Management System (PRMS) approved by the SPE, utilising a deterministic methodology.

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

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

Bowen Basin

ATP814P (Blue Energy 100% and Operator)

The permit consists of 7 separate blocks, with the Sapphire Block holding the majority of the 2P and 3P reserves. This Block is in very close proximity to the current production from the Moranbah Gas Project Joint Venture.

At 30 June 2023, Blue's 100% ATP814P contained 79 PJ+ of 2P reserves and 335 PJ+ of 3P reserves (as independently certified by NSAI). Significant upside also exists within the constituent blocks comprising the permit, with a combined 3,276 PJ+ of Contingent Resources in all the area held by the Company's ATP 814 granted Potential Commercial Areas (PCAs) and PL applications, as also certified by NSAI. The Prospective Resources category in the ATP 814 permit totals approximately 2,000 PJ+ of gas in place (as independently estimated by NSAI).

Blue has executed three non-binding Memorandums of Understanding (MoU) as follows:

1) MoU with North Queensland Gas Pipelines Pty Ltd to work together to establish new gas offtakers in the Townsville market.
2) MoU with Queensland Pacific Metals (QPM) to work to execute a binding Gas Sales Agreement for the delivery of gas from Blue's ATP814 tenement to QPM for their proposed Townsville Nickel processing facility.
3) MoU with QPM Energy to take Sapphire Pilot gas on an as available basis

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

The 3 separate Production Licence Applications (PLA's) lodged previously are still under consideration by the Regulator, and Blue continues to work with Government on these. 3 Potential Commercial Area Applications have previously been awarded by the Regulator.

During the period Blue successfully completed the Sapphire Pilot drilling campaign comprising approximately 14,000 metres of hole with a total of approximately 8,000 metres in horizontal section.

The object of the Sapphire Pilot drilling campaign was to build the gas reserve base (through the conversion of 3C resources to 2P reserves) from the existing inventory of these 3C resources situated in the PL 1034 area (Sapphire Block) of ATP 814P, as well as to test the productivity of the respective target Permian coal seams.

The drilling program targeted multiple coal seams, with dedicated lateral wells (up to 4 laterals per pilot set – 2 sets) targeting a separate seam. Each lateral well was drilled at least 1,000 metres in coal and successfully intersected the vertical water drainage wells some 1.4 kilometres away (Sapphire 5 & 6) and which were also drilled as part of the extensive the drilling program (see Figure 2).

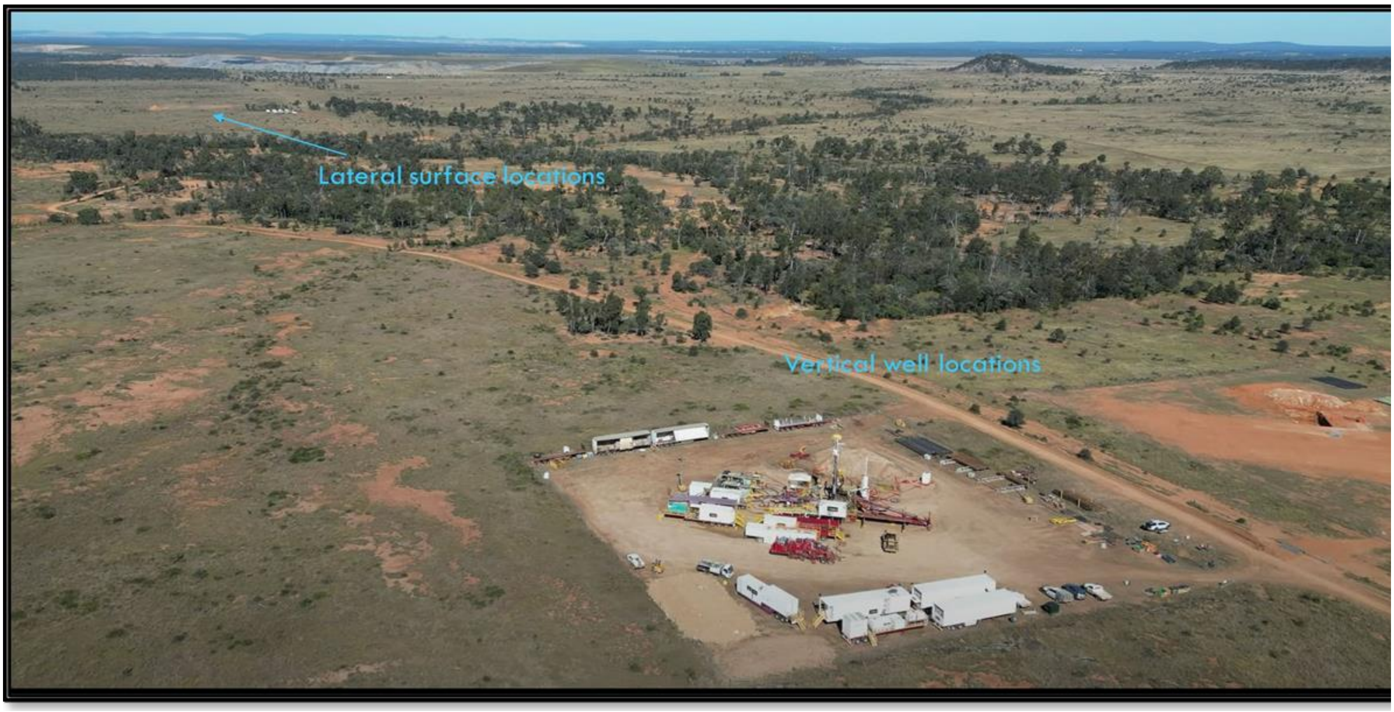

Figure 2 : *Location of lateral and vertical wells. Source: Blue Energy.*

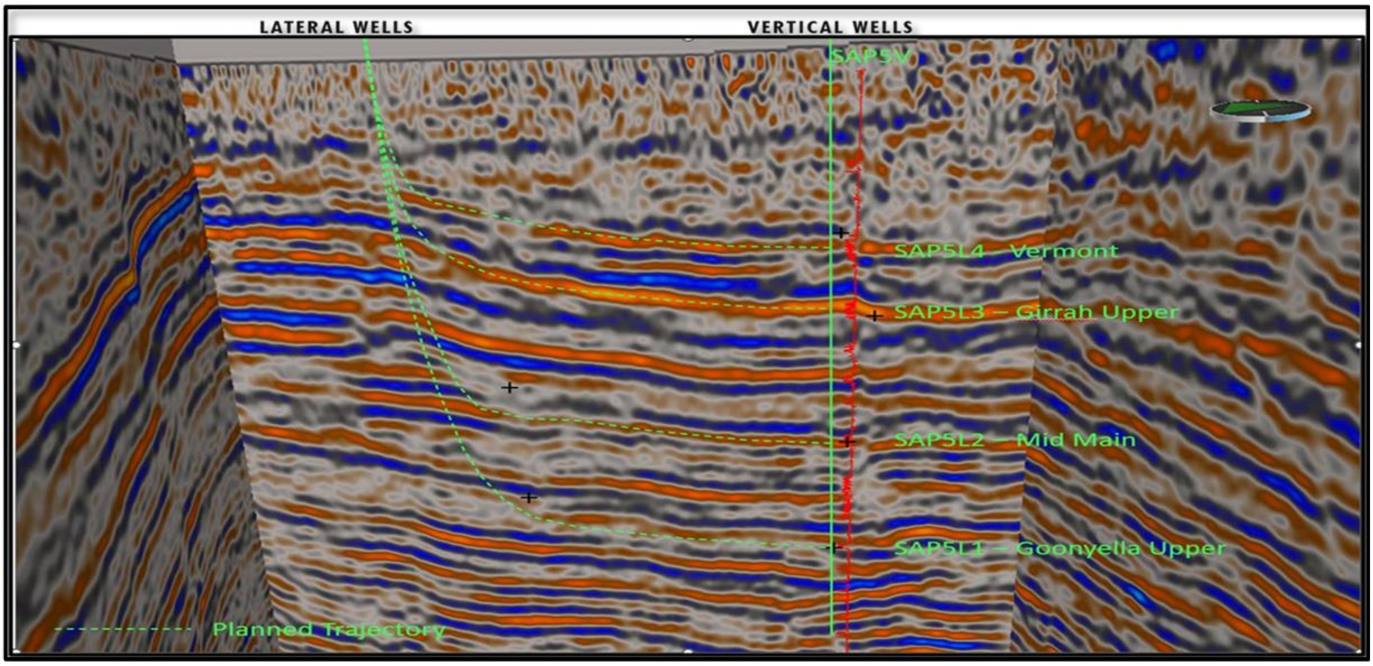

Figure 3 : *Seismic section showing geological control used to steer the lateral wells in seam and into the vertical wells. Source: Blue Energy.*

The pilot well sets incorporate up to 4 separate lateral wells each accessing individual coal seams and designed to intersect a single vertical well. The vertical well acts as the water producer for the lateral wells, with the lateral wells able to meter and measure the gas flow from each individual coal seam, to allow better allocation of seam specific reserves.

The Sapphire Pilot drilling program was completed in December 2022 and the production testing phase has been underway since February 2023. During the period, the gas rate from the Pilot reached 140,000 standard cubic feet per day and water rate is approximately 200-250 barrels per day (Figure 5). This water rate was deliberately regulated with monitoring of fluid levels within the vertical wells and pump capacity and speed.

Since the end of the year, the decision was taken to perform a Pressure Build Up survey to assess the pressure connectivity between the Sapphire 5 and Sapphire 6 Pilot wells. This will involve temporarily shutting in the Sapphire lateral wells for a period of two to four weeks and to observe the pressures in the wells.

Geological data from the drilling phase was provided to the Company's independent reserve certifier Netherland Sewell and Associated Inc of Dallas (NSAI), for assessment. The results of this initial assessment by NSAI is still pending completion, however, their review of the Lancewood and Central Blocks as announced to the market on 31 July 2023 (and reflected in Tables 2,3 and 4), has increased the 3C contingent gas resource in the Lancewood Block to 573.1 PJ (+32%) and the Central Block 3C contingent gas resource to 469 PJ (+53.4%).

In addition to this resource upgrade, NSAI has reassigned 2P and 3P reserves in Lancewood (1PJ 3P) and Central (75 PJ 3P) to the Contingent Resource category. This is based on review of regional data and that Blue has applied to the Qld Government to convert the current Production Licences (PLA 1038 and 1045) to Potential Commercial Areas (PCA's) in order to focus the Company's resources on the Sapphire Block Production Licence (PLA 1034.)

The PL 1034 application area (Sapphire Block) is located immediately adjacent to the Moranbah Gas Project (MGP), a producing gas field which is now owned by Queensland Pacific Minerals Energy (QPME). Blue Energy has an existing non-binding Memorandum of Understanding to supply gas to the proposed QPM (parent entity to QPME) Nickel refinery in Townsville. With the acquisition of the MGP by QPME, there is now full alignment for Blue to utilise MGP infrastructure and to fulfil the supply agreement to the proposed QPM Townsville plant. Reflecting this alignment, Blue and QPME executed a non-binding MoU to supply pilot gas to the MGP from the Sapphire Pilot via a proposed pipeline from Sapphire Pilot location to an infield location within the Moranbah Gas field (Figure 4).

***Figure 4**: Provisional pipeline route for tie into QPME's Moranbah Gas Project low pressure network*

The application for PL 1034 is currently with the Queensland Government for the issue of the Production Licence (PL). Blue Energy is 100% owner and operator of ATP 814P and the PL 1034 application area.

During the year Blue was granted (by the Queensland Department of Environment and Science) an upgraded Environmental Authority for the PL 1034 application. This grant covers the proposed development of the PL 1034 gas resource and is a requirement for grant of the Production Licence. Blue also requires a Native Title Agreement to be executed over the area of a PL, to allow the State to grant the PL. Blue is presently in negotiations with the Traditional Owners Prescribed Body Corporate groups of the relevant PL 1034 area.

Blue Energy has engaged independent reserve and resource certifier, Netherland Sewell and Associates Inc (NSAI) of Dallas, Texas to perform an updated assessment of the gas reserves and resources for Blue Energy's 100% owned and operated Sapphire Block (PL 1034 application area) following completion of the 2022 Sapphire pilot drilling campaign. As at 30 June 2023 NSAI and Blue were working through the dataset together to re-assess the Reserves in the Sapphire Block. Additionally, NSAI have reviewed the Central and Lancewood Blocks in light of Blue's decision to re-assess the merit at this time of pursuing a Production Licence Application for these two blocks, which are more distant from existing infrastructure. Consequently, based on that more distant infrastructure and well data, the 2P and 3P reserves carried for these two blocks have been reassigned as Contingent Resources. Subsequent to the end of the reporting period, the resulting review of Central and Lancewood blocks has yielded the reserve and resource estimates set out in tables 2 to 5 and as announced by Blue on 31 July 2023,

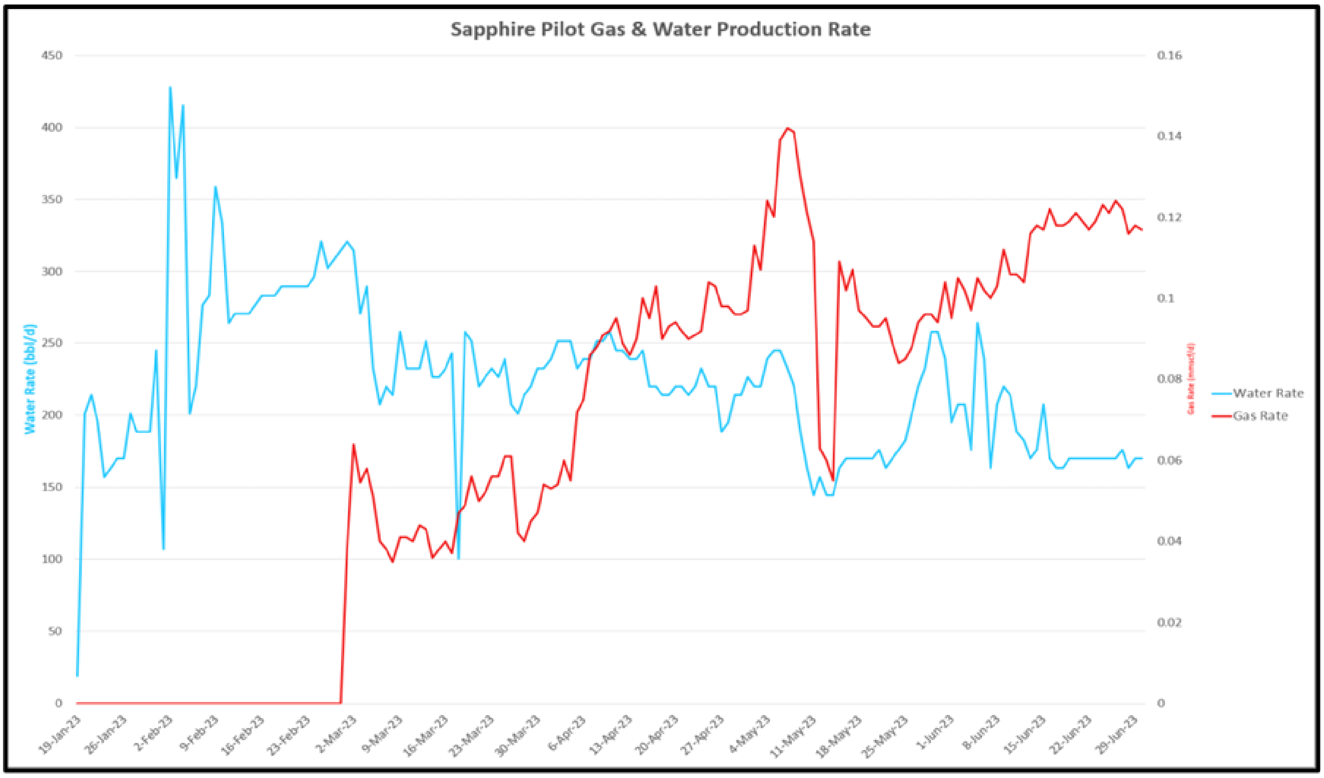

***Figure 5**: Sapphire gas and water rates since commissioning (water is blue curve and LH axis; gas is red curve and RH Axis). +see Listing Rule 5.42 Disclosure at page 15*

Surat Basin, Queensland

ATP854P (Blue Energy 100% and Operator)

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ATP 854P is located near the heart of the CSG–LNG gas supply precinct. Gas pipeline infrastructure (PPL 30 and PL 118), linking Wallumbilla to Gladstone, runs through the permit. The ATP 854P gas resources thus have clear near-term potential for economic development using this infrastructure. ATP 854P is now a substantial gas resource which can be focussed to directly access the Wallumbilla Gas Hub in the short term. .

As previously announced, Blue has an existing 398 PJ+ of Contingent Resources in ATP 854 as assessed by NSAI. The Company is actively marketing this gas volume and looking at the potential for early development, given the permit's location near the heart of the CSG–LNG gas supply precinct, and with gas pipeline infrastructure (PPL 30 and PL 118) linking Wallumbilla to Gladstone running directly through the permit.

The ATP 854 gas contingent resource thus has clear near-term potential for economic development (see Figure 6). A subsequent geological review (post gas resource upgrade) has identified pilot well drilling locations to accelerate the appraisal and development of this block, reflecting the enhanced materiality of this asset to Blue.

Also reported previously, Blue has lodged PCA applications over this permit area with the Queensland Government to allow this tenure to progress toward assessing and developing these potentially economic gas resources. Blue continues to work with the Queensland Government to secure grant of these PCAs.

Galilee Basin

ATP813P Blue Energy (100% and Operator)

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

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

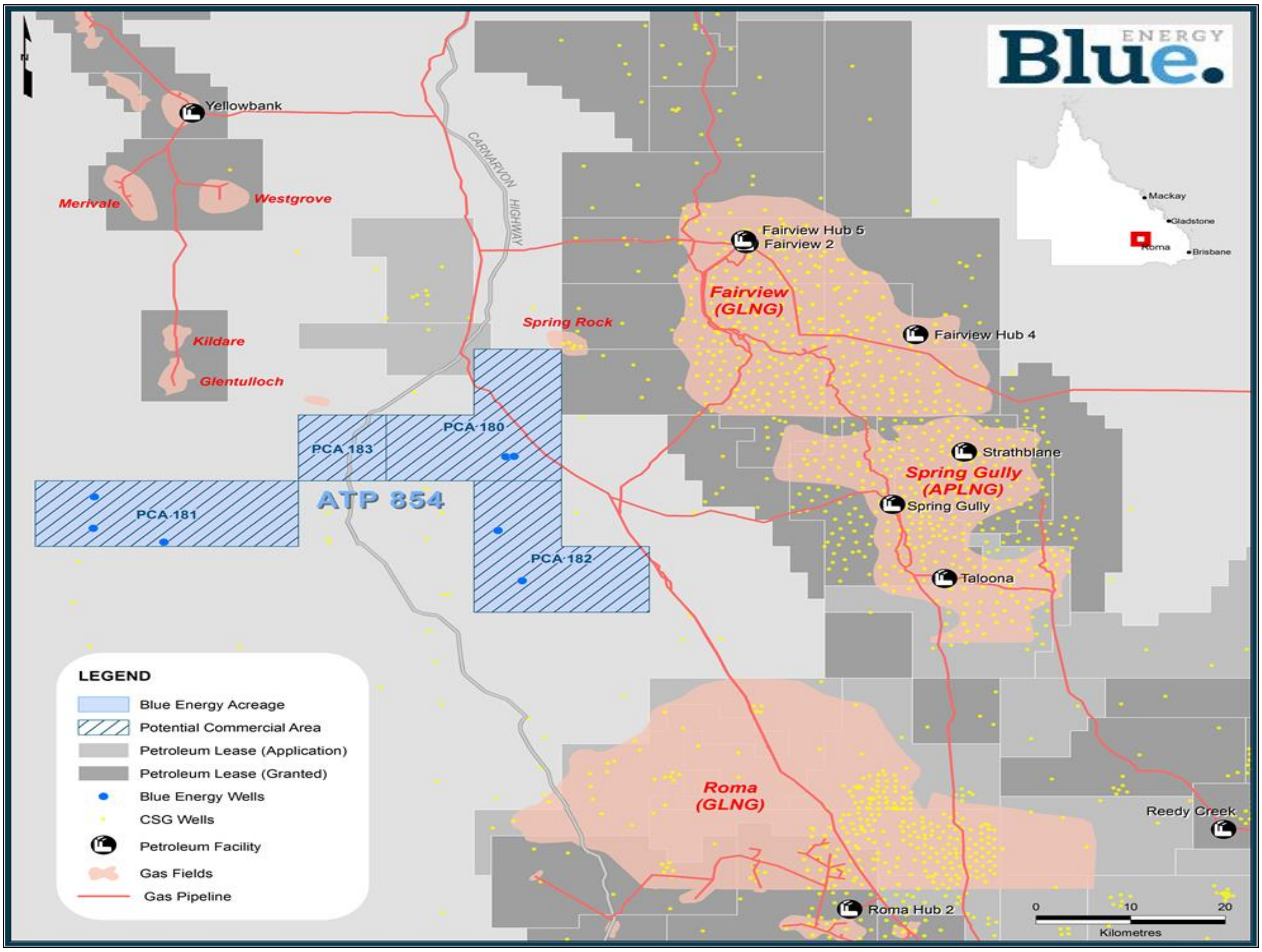

***Figure 6**: Location of ATP 854 in relation to existing pipeline infrastructure and major gas fields*

Greater McArthur Basin, Northern Territory

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

Blue has lodged the Environmental Management Plan (EMP) for the acquisition of 2D regional seismic in EPs 200, 205 and 207. The EMP incorporates the results of the on ground survey work undertaken by Blue Energy which looked at the flora and fauna aspects of the survey line locations and access points of the proposed seismic line locations. Blue is working the relevant Northern Territory Government departments to progress the EMP to approval.

As previously advised Blue has sought and been granted a Suspension and Extension of the EP 200, 205 and 207 tenures and work programs to reflect the delays in approval processes experiences on the work programs in these tenures.

Cooper Basin

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

During the period Blue completed the transfer of the Cooper Basin permits to Origin following approval by the Regulator. Blue received $175,000 as final settlement for the transfer.

Georgina Basin and Carpentaria Basins Application Areas

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

During the period, Blue withdrew its applications with the Qld Department of Resources for the Georgina exploration blocks (ATP Applications 1114, 1117 and 1123) and the Carpentaria Block (ATP Application 1112). Following protracted Native Title negotiation efforts for the Georgina areas, in which Blue sought mediation assistance from the National Native Title Tribunal (NNTT), and who were unable to assist, together with a subsequent (and successful) Future Act Determination Application submission to the NNTT, Blue Energy became aware of Queensland Government commitments to new Pristine Rivers legislation governing oil and gas activity in the greater Lake Eyre Basin (covering the Cooper, Eromanga, Georgina, Galilee and parts of the Carpentaria Basins) which effectively would preclude grant of future Production Licences for oil and gas development over the area. On this basis the Directors came to the conclusion that it was not in the best interest of shareholders and the stewardship of shareholder funds to commit exploration expenditure to these areas, with no prospect of being granted production tenure and therefore generating any return on the exploration expenditure were Blue to accept grant of these tenures from the State. Reluctantly, the Blue Board agreed to withdraw these frontier area exploration applications.

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

During the reporting period the Company successfully raised $20m (before transaction costs) through the issue of 322,580,645 shares.

Financial Position
The net assets of the Group have increased by $17.65m from 30 June 2022 to $87.45m at 30 June 2023. This represents the $20m capital raising undertaken by the Company less the costs of the capital raising and the operating loss of $1.541m incurred in the reporting period.

The Group posted a loss after income tax for the period of $1.541m (2022: loss $1.495m).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS AFTER BALANCE DATE

Subsequent to the end of the reporting period, no material events have occurred from balance date up to the date of this report except as noted below:

- Following completion of the 2022 Sapphire pilot drilling campaign, the resulting geological well data was submitted to the Company's independent reserve certifier Netherland Sewell and Associates Inc (NSAI) of Dallas Texas. NSAI and Blue are currently working through the dataset together to re-assess the Reserves in the Sapphire Block. Additionally, NSAI have already reviewed the Central and Lancewood Blocks in light of Blue's decision to re-assess the merit at this time of pursuing a Production Licence Application for these two blocks, which are further from the existing infrastructure. Consequently, based on that more distant infrastructure and well data, the 2P and 3P reserves carried for these two blocks have been reassigned as Contingent Resources. The resulting review of Central and Lancewood blocks has yielded the following reserve and resource estimates:

Lancewood Block

Permit	1P (PJ)		2P (PJ)		3P (PJ)		1C (PJ)		2C (PJ)		3C (PJ)	
	new	[+]old	new	[+]old	new	[+]old	new	[+]old	new	[+]old	new	[+]old
ATP 814P, Lancewood Block, Qld	–	–	-	-	0	1	203.2	5.0	232.8	23.0	573.1	435.0
% change	–	–	-%	–	-100.0%	–	+3,964.0%	–	+912%	–	+31.7%	–

Table 2: Lancewood Block ATP 814; NSAI Reserve and Contingent Resource assessment

Central Block

Permit	1P (PJ)		2P (PJ)		3P (PJ)		1C (PJ)		2C (PJ)		3C (PJ)	
	new	[+]old	new	[+]old	new	[+]old	new	[+]old	new	[+]old	new	[+]old
ATP 814P, Central Block, Qld	–	–	0	12	0	75	39.1	50.0	111.1	99.0	469.4	306.0
% change	–	–	-100%	–	-100.0%	–	-21.8%	–	+12.2%	–	+53.4%	-

Table 3: Central Block: NSAI Reserve and Contingent Resource assessment

Current ATP 814 Gas Reserves and Contingent Gas Resource Estimate

Permit	1P (PJ)		2P (PJ)		3P (PJ)		1C (PJ)		2C (PJ)		3C (PJ)	
	new	old	new	old	new	old	new	old	new	old	new	old
ATP 814P, All Blocks	--	--	66.5	78.5	260	335.2	411	224.3	1385	1163.9	3577	3276.4
% change	--	--	-15.3%	--	-22.4%	--	+83.0%	--	+19.0%	--	+9.0%	--

Table 4: ATP 814 Aggregate Gas Reserves and Contingent Resources post NSAI assessment (Sapphire reassessment still underway)

Following the NSAI review of Lancewood and Central Blocks (ATP 814) the total Corporate Reserves and Resources estimate attributable to Blue Energy is as follows:

Permit	1P (PJ)		2P (PJ)		3P (PJ)		1C (PJ)		2C (PJ)		3C (PJ)	
	new	old	new	old	new	old	new	old	new	old	new	old
ATP 814P	--	--	66.5	78.5	260	335.2	411	224.3	1385	1164	3577	3276
ATP 813	--	--	--	--	--	--	--	--	61	61	830	830
ATP 854	--	--	--	--	--	--	90	90	194	194	398	398
Total	--	--	66.5	78.5	260.0	335.2	501.0	314.3	1640.0	1418.0	4804	4504.0
% change	--	--	-15.3%	--	-22.4%	--	+59.4%	--	+15.6%	--	+6.7%	--

Table 5: Aggregate Blue Energy Gas Reserves and Contingent Resources

- On 5 September 2023, the Company announced that the Environmental Defenders Office (EDO) had lodged notice of an appeal (NOA) in the Queensland Land Court regarding the decision of the Queensland Department of Environment and Science (DES) to award an Environmental Authority (EA) with standard conditions to Blue for its proposed activities in ATP814. Blue has been included as a party to the appeal by the EDO as Blue is an interested party being the beneficiary of the EA granted to it. Blue Energy is awaiting further and better particulars of the Appellant's amended NOA to obtain further information and to better understand the Appellant's pleadings and the grounds that they intend to rely on. At such a preliminary stage, it would be premature to speculate on the outcome of the proceedings. It is worth noting however that the EA application made by Blue Energy was assessed by DES in its Original Decision and on Internal Review. In both decisions, objectors raised issues similar to those which are now raised by the Appellant in the NOA and, taking those submissions into account, DES was satisfied that the application satisfied the requirements of the *Environmental Protection Act 1994* (Qld) and granted the EA.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

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

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

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

REMUNERATION REPORT (Audited)

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

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

The shareholder vote at the 2022 AGM passed the Remuneration Report.

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

• transparency, and
• capital management.

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

A copy of the EIRP 2020 is located on the company website. The plan is a discretionary plan that is not based on formulaic hurdles. The purpose of the Plan is to:
(a) assist in the reward, retention and motivation of Eligible Employees;
(b) link the reward of Eligible Employees to performance and the creation of Shareholder value;
(c) align the interests of Eligible Employees more closely with the interests of Shareholders by providing an opportunity for Eligible Employees to receive an equity interest in the form of Awards;
(d) provide Eligible Employees with the opportunity to share in any future growth in value of the Company; and
(e) provide greater incentive for Eligible Employees to focus on the Company's longer-term goals.

2023

	Salary & fees	Other short term benefits[2]	Superannuation	Other long term benefits[3]	Share based payments	Total	Proportion of Remuneration Performance Related	Value of Options/Rights as a Proportion of Remuneration
	$	$	$	$	$	$	%	%
Directors								
R Cameron[1]	60,882	-	6,393	-	-	**67,275**	-	-
M Hayward[1]	60,882	-	6,393	-	-	**67,275**	-	-
TOTAL	**121,764**	**-**	**12,786**	**-**	**-**	**134,550**	**-**	**-**
Executive Directors								
J Phillips	422,500	38,693	27,500	17,454	9,159	**515,306**	2%	2%
J Ellice-Flint	226,244	21,775	23,756	10,776	3,322	**285,873**	1%	1%
TOTAL	**648,744**	**60,468**	**51,256**	**28,230**	**12,481**	**801,179**	2%	2%
TOTAL	**770,508**	**60,468**	**64,042**	**28,230**	**12,481**	**935,729**	1%	1%

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

2022

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

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

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 $62,100 (2022: $60,000) per annum, inclusive of Superannuation Guarantee where applicable. Directors who are appointed to committees of the Board receive an additional $5,175 (2022: $5,000) per annum per committee position inclusive of compulsory superannuation where applicable. There are no termination payments applicable. The terms of appointment also include the reimbursement of reasonable business-related expenses including accommodation and other expenses that a Director or other Executive properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending any meetings of Members and in connection with the business of the Group. A Director may be paid fees or other amounts as the Directors determine where a Director performs duties or provides services outside the scope of their normal Director's duties.

Mr John Phillips (MD/CEO) – Mr Phillips contract was renewed in August 2020 with the contract term of 3 years effective from 1 July 2021 until 1 July 2023 and incorporates various termination clauses in the event of breaches by either party up to a maximum of nine months' total fixed remuneration in lieu of notice or otherwise on three months' notice. In the year ended 30 June 2023, Mr Phillips has been awarded 6,636,000 (2022: nil) performance rights under the EIRP 2020.

Mr John Ellice-Flint (EC) - On 15 February 2012, the Company entered into an employment agreement with Mr John Ellice-Flint which was approved by Shareholders (5 April 2012) confirming his appointment as a Director. The employment agreement provides for a termination payment equal to one year's base salary if the Company terminates Mr Ellice-Flint's employment other than in certain circumstances. Mr Ellice-Flint can terminate the agreement by giving one month's notice to the Company. The agreement terminates automatically if he is removed as a Director under Part 2D.6 of the Corporations Act and Mr Ellice-Flint must resign as a director if his employment agreement is terminated for any reason. In the year ended 30 June 2023, Mr Ellice-Flint has been awarded 2,406,667 (2022: nil) performance rights under the EIRP 2020.

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

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

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

Long term incentives granted to senior executives are delivered in the form of performance rights in accordance with an Employee Incentive Plan. As part of the Group's annual strategic planning process, the Board and management agree upon a set of financial and non-financial objectives for the Group. The objectives form the basis of the assessment of management performance and vary but are targeted directly to the Group's business and financial performance and thus to shareholder value.

During the current reporting period the Executive Directors received awards under the EIRP 2020 as follows:

- The awards were in the form of performance rights with a zero exercise price and an expiry date of 30 June 2026

- The performance rights were issued in three tranches and were subject to the following vesting conditions, none of which were satisfied at 30 June 2023:

  - Tranche A – the independent certification of a further 228PJ of 2P reserves as an aggregate across any of the Company's permits or licences by 30 June 2023.
  - Tranche B – subject to achieving a $0.12 VWAP (20 day) to be tested at 30 June 2023.
  - Tranche C - subject to achieving a $0.20 VWAP (20 day) to be tested at 30 June 2023 with 50% vesting at 30 June 2024 and 50% at 30 June 2025.

Interests in Options and Employee Incentive Rights of the Company

2023 and 2022

The following interests in options and employee performance rights over ordinary shares in Blue Energy Limited were held directly, indirectly or beneficially by Directors or Key Management Personnel at 30 June 2023 (2022: NIL).

2023	Balance at 30 June 2022 Number	Granted as compensation Number	Expired Number	Exercised Number	Balance at 30 June 2023 Number
Directors					
J Ellice-Flint	-	2,406,667	-	-	2,406,667
J Phillips	-	6,636,000	-	-	6,636,000
R Cameron	-	-	-	-	-
M Hayward	-	-	-	-	-
TOTAL	**-**	**9,042,667**	**-**	**-**	**9,042,667**

On 12 September 2023, 9,042,667 options and employee performance rights over ordinary shares were cancelled as the applicable vesting conditions had not been satisfied at the vesting date.

Interests in Shares of the Company

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

2023	Balance at 30 June 2022 Number	Granted as compensation Number	Off Market Purchase Number	Net Change Other Number	Balance at 30 June 2023 Number
Directors					
J Ellice-Flint	125,772,734	-	-	-	125,772,734
J Phillips	32,460,806	-	-	-	32,460,806
R Cameron	5,952,826	-	-	-	5,952,826
M Hayward	-	-	-	-	-
TOTAL	**164,186,366**	**-**	**-**	**-**	**164,186,366**

2022	Balance at 30 June 2021 Number	Granted as compensation Number	Off Market Purchase Number	Net Change Other Number	Balance at 30 June 2022 Number
Directors					
J Ellice-Flint	125,772,734	-	-	-	125,772,734
J Phillips	32,460,806	-	-	-	32,460,806
R Cameron	5,952,826	-	-	-	5,952,826
M Hayward	-	-	-	-	-
TOTAL	**164,186,366**	**-**	**-**	**-**	**164,186,366**

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

OVERVIEW OF GROUP PERFORMANCE

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

	2023	2022	2021	2020*	2019*
Loss after tax	$1.54m	$1.49m	$0.99m	$5.06m	$5.88m
Share price at year end	$0.027	$0.070	$0.064	$0.038	$0.044
Loss per share – basic (cents)	(0.08)	(0.10)	(0.07)	(0.38)	(0.45)

* Losses impacted by exploration impairment or write off.

USE OF REMUNERATION CONSULTANTS

In financial year 2023, Godfrey Remuneration Group Pty Ltd was paid $ 20,000 (excluding GST) for assistance and advice on remuneration structures for Executive Directors. All reports and advice related to the Executive Chairman and Managing Director remuneration was commissioned and received directly by the Independent Non-Executive Directors. The Board is satisfied that the information provided was free from undue influence from executive management.

The Company did not engage any remuneration consultants in the financial year 2022.

SHARE-BASED COMPENSATION

On 15 November 2022 the Company granted 9,042,667 performance rights with a nil exercise price and an expiry date of 30 June 2026 to Executive Directors under the EIRP2020 (2022: nil).

The terms and conditions of each grant of performance rights affecting remuneration of key management personnel in the current or a future reporting period are as follows:

Date of grant	Vesting date	Expiry date	Exercise price	Fair value per option at grant date	Number granted	Vested[1]
15 November 2022	Tranche A – the independent certification of a further 228PJ of 2P reserves as an aggregate across any of the Company's permits or licences by 30 June 2023.	30 June 2026	$Nil	$0.053	1,695,500	Nil%
15 November 2022	Tranche B – subject to achieving a $0.12 VWAP (20 day) to be tested at 30 June 2023.	30 June 2026	$Nil	$0.00761	3,956,167	Nil%
15 November 2022	Tranche C - subject to achieving a $0.20 VWAP (20 day) to be tested at 30 June 2023 with 50% vesting at 30 June 2024 and 50% at 30 June 2025.	30 June 2026	$Nil	$0.00119	3,391,000	Nil%

Performance rights are granted to attract, retain, and incentivise key management personnel.

The board has rules that contain restrictions on removing the 'at risk' aspect of the performance rights granted to executives. Executives may not enter into any transactions designed to remove the 'at risk' aspect of an instrument before it vests.

In the event of termination (specified circumstances) only vested performance rights are entitled to be exercised. Unvested performance rights are forfeited unless the Board exercises its discretion to allow the holder to retain the performance rights on terms determined by the Board.

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using an appropriate pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option.

Shares provided on exercise of performance rights
During the financial year, nil (2022: nil) performance rights previously issued as key management personnel remuneration were exercised.

End of Audited Remuneration Report

OPTIONS OVER SHARES

During the year no options were granted (2022: Nil).

INCENTIVE RIGHTS

Unissued ordinary shares of the Company under performance rights at the date of this report are as follows

[1] The vesting conditions for each tranche were not satisfied as at 30 June 2023 and all tranches lapsedwithout vesting.

Grant Date	Expiry Date	Exercise price of incentive rights	Number under incentive rights	Issued as remuneration in current or prior period ?
15 November 2022	30 June 2026	$Nil	562,192	Yes
15 November 2022	30 June 2026	$Nil	9,042,667	Yes
15 May 2023	30 June 2027	$Nil	493,859	Yes
			10,098,718	

During the year the following performance rights were exercised into fully paid ordinary shares:

- 178,062 performance rights issued to employees under the EIRP2020 on 12 April 2022 and which vested on 12 April 2023 were exercised into fully paid ordinary shares at an exercise price of $Nil. The market value of these rights at the date of vesting was $7,122 (2022: nil exercised)

On 12 September 2023, 9,042,667 options and employee performance rights over ordinary shares were cancelled as the applicable vesting conditions had not been satisfied at the vesting date.

DIRECTORS' MEETINGS

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

	Numbers of meetings of full Board		Risk and Audit Committee	
	Entitled to & Held	Attended	Held	Attended
J Ellice-Flint	10	10	*	*
J Phillips	10	10	*	*
R Cameron	10	9	3	3
M Hayward	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 2023, no person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

MATERIAL BUSINESS RISKS

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

Exploration Activity Risk

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

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

Governmental and Regulatory Risk

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

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

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

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

Native Title and Land Access Risk

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

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

Reserve and Resource Estimates Risk

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

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

Dependence upon key personnel

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

Health, safety and environment

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

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

Access to capital and liquidity

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

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

Climate change risk

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

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

RISK MANAGEMENT

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

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

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

CORPORATE GOVERANCE STATEMENT

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

During the year ending 30 June 2023 the Company continues to work towards implementing corporate governance practices and policies as outlined in the ASX Corporate Governance Council's Principles and Recommendations (4th Edition) ("ASX Recommendations"). Details of these recommendations that Blue Energy have adopted and those that have not been fully complied with are outlined in the Company's annual Corporate Governance Statement.

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

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

A copy of Blue Energy's 2023 Corporate Governance Statement, which provides detailed information about governance and a copy of Blue Energy's Appendix 4G which sets outs the Company's compliance with the recommendations in the 4th Edition of the ASX Recommendations is available on the corporate governance section of the Company's website at: www.blueenergy.com.au.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 18 and forms part of the Directors' Report for the year ended 30 June 2023.

NON-AUDIT SERVICES

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

ROUNDING OF AMOUNTS

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

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

For and on behalf of the Directors:

John Ellice-Flint
Chairman
Brisbane
12 September 2023

PITCHER PARTNERS

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

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2023, to the best of my knowledge and belief there have been:

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

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

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

Pitcher Partners
PITCHER PARTNERS

J. Evans
JASON EVANS
Partner

Brisbane, Queensland
12 September 2023

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Independent Auditor's Report to the Members of Blue Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Blue Energy Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Exploration and evaluation expenditure – Impairment ***Note 3.1: Exploration and Evaluation Expenditure***	
The Group is involved in exploration and evaluation activities of oil and gas areas of interest. We consider the carrying value of the Exploration and Evaluation Assets (at 30 June 2023: $86,488,000) to be a key audit matter given the significant of the balance to the financial statements and judgements used regarding future exploration plans and tenure status in determining whether the assets should continue to be capitalised. AASB 6 Exploration for and Evaluation of Mineral Resources requires the exploration and evaluation assets to be assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. As disclosed in Note 3.1 to the financial statements, management performed an assessment for impairment indicators at 30 June 2023 in accordance with the accounting policy described in the same note which required management to make certain judgements and assumptions as to future events and circumstances surrounding the continued tenure and ongoing exploration in the relevant areas of interest. Management did not identify any impairment indicators.	Our procedures included: • Understanding and evaluating the design and implementation of the control environment through which exploration and evaluation expenditure is incurred, recorded and assessed for impairment; • Obtaining an understanding of the status of ongoing exploration programs and future intentions for the areas of interest, including future budget spend and related work programs; • Enquiring of management and reviewed ASX announcements and minutes of Directors meeting; • Evaluating and challenging the Director's estimates and assumptions included in their assessment of potential indicators of impairment; • On a sample basis testing expenditure incurred by inspecting supporting documentation and assessing whether the relevant expenditure meets the asset recognition requirements of AASB 6 Exploration for and Evaluation of Mineral Resources; • Considering whether the Group's right to explore was current by inspecting supporting documents such as licence agreements; and • Assessing the adequacy of the related disclosures made in Note 3.1 of the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Blue Energy Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pitcher Partners
PITCHER PARTNERS

J. Evans
JASON EVANS
Partner

Brisbane, Queensland
12 September 2023

Blue Energy Limited
Consolidated Statement of Comprehensive Income
FOR YEAR ENDED 30 June 2023

	Note	2023 $'000	2022 $'000
Financial income	6.1	111	15
Other income	6.1	291	-
Total Income		**402**	**15**
Operating and administration expenses	6.3	(1,902)	(1,499)
Expenses for equity settled share based payments	5.2	(41)	(11)
Loss before income tax		**(1,541)**	**(1,495)**
Income tax benefit/(expense)	6.4	-	-
Loss after income tax expense		**(1,541)**	**(1,495)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		**(1,541)**	**(1,495)**
Total comprehensive loss for the year attributable to:			
Owners of the parent		(1,541)	(1,495)
Total comprehensive loss for the year		**(1,541)**	**(1,495)**
Loss per share (cents per share):			
- basic	6.5	(0.08)	(0.10)
- diluted	6.5	(0.08)	(0.10)

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

Blue Energy Limited
Consolidated Statement of Financial Position
AS AT 30 June 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	2,400	6,855
Trade and other receivables		121	192
Total Current Assets		**2,521**	**7,047**
Non-Current Assets			
Plant and equipment		116	43
Right of use assets		28	70
Trade and other receivables		122	169
Exploration & evaluation expenditure	3.1	86,488	64,850
Total Non-Current Assets		**86,754**	**65,132**
TOTAL ASSETS		**89,275**	**72,179**
LIABILITIES			
Current Liabilities			
Trade and other payables	4.3	599	1,376
Lease liability		23	45
Provisions	3.2	757	597
Total Current Liabilities		1,379	2,018
Non-Current Liabilities			
Lease liability		5	28
Provisions	3.2	445	343
Total Non-Current Liabilities		450	371
TOTAL LIABILITIES		**1,829**	**2,389**
NET ASSETS		**87,446**	**69,790**
EQUITY			
Issued capital	5.1	168,687	149,531
Reserves	5.2	8,875	8,834
Accumulated losses		(90,116)	(88,575)
TOTAL EQUITY		**87,446**	**69,790**

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

Blue Energy Limited
Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 June 2023

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

	Issued Capital $'000	Accumulated Losses $'000	Reserves $'000	Total Equity $'000
Balance at 30 June 2022	**149,531**	**(88,575)**	**8,834**	**69,790**
Total comprehensive loss				
Loss for the year	-	(1,541)	-	(1,541)
Total comprehensive loss for the year	-	(1,541)	-	(1,541)
Transaction with owners in their capacity as owners				
Issue of new shares	20,000	-	-	20,000
Capital raising costs	(844)	-	-	(844)
Option expense – share based payments	-	-	41	41
Total transactions with owners	19,156	-	41	19,197
Balance at 30 June 2023	**168,687**	**(90,116)**	**8,875**	**87,446**

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

Blue Energy Limited
Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts of refunds of GST, other tax credits and government grants		2,528	310
Payments to employees		(518)	(629)
Payments to suppliers		(4,145)	(1,319)
Interest received		111	15
Net cash flows used in operating activities	4.1	**(2,024)**	**(1,623)**
Cash flows from investing activities			
Payments for property, plant and equipment		(74)	(44)
Funds provided for exploration and evaluation		(21,467)	(2,929)
Net cash flows used in investing activities		**(21,541)**	**(2,973)**
Cash flows from financing activities			
Repayment of lease liabilities		(46)	(38)
Proceeds from share issue		20,000	9,967
Capital raising costs		(844)	(433)
Net cash flows provided by / (used in) financing activities		**19,110**	**9,496**
Net (decrease)/increase in cash and cash equivalents held		(4,455)	4,900
Cash and cash equivalents at beginning of financial year	4.1	6,855	1,955
Cash and cash equivalents at end of financial year	4.1	**2,400**	**6,855**

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 2023 were authorised for issue in accordance with a resolution of the directors on 12 September 2023. 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 (%) 2023	2022
Blue Energy (Qld) Pty Ltd	New South Wales	100%	100%
Eureka Petroleum Pty Ltd	Queensland	100%	100%
Kompliment Pty Ltd	Western Australia	100%	100%
Everdue Pty Ltd	Western Australia	100%	100%
Energy Investments PNG Pty Ltd	Western Australia	100%	100%
Galilee Pipelines Pty Ltd	Queensland	100%	100%
Blue Energy (Wiso) Pty Ltd	Queensland	100%	100%
Blue Energy (Maryborough) Pty Ltd	Queensland	100%	100%

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

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

2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Overview

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

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

The financial statements are presented in Australian dollars.

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

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

2.1.2 Going concern

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

Furthermore, it is recognised that the Group's cash and cash equivalents at 30 June 2023 are not sufficient for it to meet its full exploration expenditure commitments for its various tenements over the full terms of all its exploration tenures or facilitate an expanded exploration program should the Group elect to do so. In addition, the Group's ability to realise the carrying amount of its capitalised exploration and evaluation expenditure asset in the ordinary course of business, is contingent on it maintaining tenure for various areas of interest and being able to access tenements to be able to advance exploration and evaluation efforts.

2.1.2 Going concern (continued)

This being the case, the Group is:

- Managing all tenures, and their respective work programs to ensure all renewals and/or grant of higher tenure types (PLAs and PCAs) are completed; and

- Considering all funding options including capital raising and the establishment of Joint Venture partnerships.

On the basis of the above and taking into consideration the success of the recently completed Sapphire drilling program and the recent success of the Company in raising additional funding, the Directors are of the opinion the Group will be able 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 material uncertainty that may cast significant doubt as to whether the Group would be able to meet its debts as and when they fall due and therefore continue as a going concern. Accordingly, the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities may be necessary should the Group be unsuccessful in renegotiating or deferring its exploration expenditure commitments, attracting joint venture partners for the Group's exploration expenditure commitments and/or raising additional capital.

2.1.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2023. 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 2023 (2022:100%). All accounting policies of the subsidiaries are consistent with the policies adopted by the Parent.

2.2 Significant accounting policies

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

2.2.1 Impairment of assets

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

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

2.3 Critical accounting judgements and key sources of estimation uncertainty

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

2.3.1 Recovery of deferred income tax assets

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

2.3.3 Reserve and resource estimates

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas tenements. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and other capital costs. The carrying amount of oil and gas development assets at 30 June 2023 is shown in Note 3.1. The Group estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income. Such changes may impact the Group's reported financial position and results, which include:

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

2.3.4 Exploration and evaluation assets

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

2.3.5 Share based payments

In the determination of share based payment expenses, judgement is involved in the determination of the non-market vesting conditions of share based payments. The non-market vesting condition requiring judgement is the likelihood of service conditions being met. Fair value of rights and options, including market based vesting conditions, were determined upon the issue of rights or options in question. Refer note 5.1 for details of share based payments made during the period.

2.3.6 Provision for rehabilitation

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

2.4 New accounting standards and interpretations adopted

New and amended Standards

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in current or future periods.

New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted

A number of new standards, amendments to the standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Group.

3 INVESTED CAPITAL

3.1 Exploration and evaluation expenditure

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

	2023 $'000	2022 $'000
Exploration and evaluation expenditure acquired	13,648	13,648
Other exploration and evaluation expenditure capitalised	102,882	81,415
Restoration costs (Note 3.2.2)	826	655
Accumulated impairment of exploration and evaluation expenditure	(30,868)	(30,868)
Total exploration & evaluation expenditure	**86,488**	**64,850**

As noted in the directors' report, in respect of ATP 813P, ATP 814P and ATP 854P Permits, the Group has lodged Petroleum Lease (PL's), Potential Commercial Areas (PCA's) and/or ATP renewal applications covering these tenures with the Department of Resources prior to the expiry date of the respective Permits. Tenure for these permits continue in force until determination is made by the Department of Resources. The Group is not aware of any reasons why these Permits will not be renewed. Furthermore, EP 200, EP 205 and EP 207 expire on 15 February 2024. These Permits are under suspension as granted by the government. The suspension is in place until February 2024 by which time several outstanding issues for exploration may be resolved. In the absence of such approval process resolution a further suspension may be sought.

Exploration and evaluation expenditure accounting policy

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

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

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

(iii) Exploration and evaluation costs:
Exploration and evaluation activities involve the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an area of interest are capitalised as exploration and evaluation intangible assets until the exploration and evaluation of the area of interest 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. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

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

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

3.1 Exploration and evaluation expenditure accounting policy (cont.)

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

- the relevant exploration licence(s) have expired or are not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area of interest 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 area of interest is planned; and
- sufficient information exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

3.2 Provisions

	2023 $'000	2022 $'000
Current		
Provision for annual leave	185	126
Provision for restoration and rehabilitation[(1)]	382	313
Provision for long service leave[(2)]	190	158
Balance at 30 June	**757**	**597**
Non current		
Provision for restoration and rehabilitation[(1)]	444	342
Provision for long service leave [(2)]	1	1
Balance at 30 June	**445**	**343**

(1) Future estimated costs for the restoration and rehabilitation of areas affected by exploration activities. The total provision increased by $171k during the year (2022: provision increased by $115k)

(2) During the year an additional $32k of long service leave was accrued (2022: $19k long service leave accrued).

Provisions accounting policy

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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:

	2023 $'000	2022 $'000
Cash at bank and in hand	921	1,909
Short-term deposits	1,068	4,568
Other restricted deposits	411	378
Total	**2,400**	**6,855**

The restricted deposits of $411k (2022: $378k) 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 3.06% (2022: 0.49%) at year end.

Cash and cash equivalents accounting policy

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

4 WORKING CAPITAL AND FINANCIAL RISK MANAGEMENT (cont.)

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

	2023 $'000	2022 $'000
Loss after income tax	(1,541)	(1,495)
Adjustments for non-cash items		
Cash flows excluded from profit/(loss) attributable to operating activities:		
Depreciation	42	52
Share options expensed	41	11
Other non-cash items	-	-
Changes in assets and liabilities		
Decrease/(increase) in trade debtors and receivables	119	(105)
Decrease/(increase) in ROU leases	3	-
(Decrease)/increase in trade creditors, and accruals	(776)	19
Increase/(decrease) in provisions and employee entitlements	88	(105)
Net cash used in operating activities	**(2,024)**	**(1,623)**

4.2 Financial risk management

4.2.1 Financial risk management policies

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

Financial risk exposures and management

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

Liquidity risk

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

Interest rate risk

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

2023	Note	Annual Weighted Average Interest Rate	Fixed Interest Rate $'000	Floating Interest Rate $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash at bank and in hand	4.1	1.01%	-	921	-	921
Short-term deposits	4.1	3.06%	1,479	-	-	1,479
Trade and other receivables		-	-		121	121
Total			**1,479**	**921**	**121**	**2,521**
Financial Liabilities						
Trade and other payables	4.3	-	-	-	599	599
Total			**-**	**-**	**599**	**599**

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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fail to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. The Company believes that the credit risk related to its cash is negligible.

Fair value

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values due to their short-term nature. Where applicable, the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 WORKING CAPITAL AND FINANCIAL RISK MANAGEMENT (cont.)

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

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. The Group has bank guarantee facilities in place totalling $378k (2022: $332k). Refer to 4.2.2 'Interest rate sensitivity analysis'.

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

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

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

4.2.2 Financial instruments

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

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

	Note	2023 $'000	2022 $'000
Less than 90 days		121	161
91 days +		122	200
Trade and other receivables		**243**	**361**

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

	Note	2023 $'000	2022 $'000
Less than 90 days		599	1,376
Current trade and other payables	4.3	**599**	**1,376**
Less than 6 months		23	22
6 months to 12 months		2	23
More than 12 months		3	28
Lease liabilities		**28**	**73**

Net fair values
Net fair values of financial assets and liabilities disclosed are materially in line with carrying values at 30 June 2023 and 30 June 2022 due to their short-term nature.

4.2.2 Financial instruments (cont)

Interest rate sensitivity analysis

The Group has performed a sensitivity analysis relating to exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. At 30 June 2023, 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:

	2023 $'000	2022 $'000
Change in pre-tax profit/(loss)		
- Increase in interest rate by 0.49% (2022:0.49%)	10	28
- Decrease in interest rate by 0.49% (2022:0.49%)	(10)	(28)
Change in pre-tax equity		
- Increase in interest rate by 0.49% (2022:0.49%)	10	28
- Decrease in interest rate by 0.49% (2022:0.49%)	(10)	(28)

4.3 Trade and other payables

Current:	2023 $'000	2022 $'000
Trade payables	423	1,069
Sundry payables and accrued expenses	104	240
Employee cost & expenses payable	72	67
Trade and other payables	**599**	**1,376**

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

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

Trade and other receivables accounting policy

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

Impairment

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

Trade and other payables accounting policy

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

5 CAPITAL AND RELATED PARTY DISCLOSURES

5.1 Issued share capital

	2023		2022	
Ordinary shares:	Number of Shares	$'000	Number of Shares	$'000
Issued & Fully Paid	**1,850,973,596**	**168,687**	**1,528,214,889**	**149,531**
Movements in ordinary shares on issue:				
Opening balance	**1,528,214,889**	**149,531**	1,328,882,513	139,997
Issued shares at 4.5c/share	322,580,645	20,000	199,332,376	9,967
Issued shares on exercise of vested performance rights	178,062	-	-	-
Capital raising costs	-	(844)	-	(433)
Closing balance	**1,850,973,596**	**168,687**	**1,528,214,889**	**149,531**

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

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

5.1 Issued share capital (cont)

The Company did not pay a dividend during the year ended 30 June 2023, nor has any dividend been proposed up to the reporting date (2022: nil). Ordinary shares would participate in dividends and the proceeds on any winding up of the parent entity in proportion to the number of shares held.

Options over shares
During the year no options were granted (2022: Nil).
From 30 June 2023 to the date of this report no shares have been issued as a result of the exercise of options.

Rights over shares

Executive director incentive rights
During the year, the Group granted 9,042,667 incentive rights to executive directors pursuant to the Employee Incentive Rights Plan (2022: Nil). The incentive rights were issued in three tranches which are subject to the following vesting conditions:

i. **Tranche A** – the independent certification of a further 228PJ of 2P reserves as an aggregate across any of the Company's permits or licences by 30 June 2023.
ii. **Tranche B** – subject to achieving a $0.12 VWAP (20 day) to be tested at 30 June 2023.
iii. **Tranche C** - subject to achieving a $0.20 VWAP (20 day) to be tested at 30 June 2023 with 50% vesting at 30 June 2024 and 50% at 30 June 2025.

Input	Tranche A	Tranche B	Tranche C
Number of incentive rights issued	1,695,500	3,956,167	3,391,000
Grant date	15/11/2022	15/11/2022	15/11/2022
Vesting date - share price condition	30/06/2023	30/06/2023	30/06/2023
Vesting date – service condition	30/06/2023	30/06/2024	30/06/2025
Days to expiry / vesting date	227	227	227
Grant date share price	$0.053	$0.053	$0.053
Exercise price	$0.00	$0.00	$0.00
Vesting price (20 day VWAP)	N/a	$0.12	$0.20
Adjusted vesting price (Parisien Barrier)	N/a	$0.15	$0.25
Volatility	76.30%	76.30%	76.30%
Risk free interest rate	3.19%	3.19%	3.19%
Probability of non-market condition being achieved	0%	N/a	N/a
Valuation of an individual right	**$0.040**	**$0.00761**	**$ 0.0012**

Employee incentive rights
During the year, the Group granted 1,056,051 employee incentive rights to employees pursuant to the Employee Incentive Rights Plan. At year end, 1,056,051 incentive rights were on issue (2022: Nil). During the year 178,062 incentive rights vested and were exercised (2022: Nil).

Number of Incentive Rights	562,192	493,859
Grant date	15/11/2022	15/05/2023
Expiry date	31/12/2026	30/06/2027
Vesting date	28/11/2023	12/04/2024
Estimated probability that the Incentive Rights will vest	100%	100%
Exercise price	$Nil	$Nil
Expected volatility	92%	92%
Risk-free interest rate	3.24%	3.24%
Grant date share price	$0.053	$0.03
Fair value per incentive right	$0.053	$0.03

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

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

5.1 Issued share capital (cont)

During the prior year, the Group granted 512,599 employee incentive rights to employees pursuant to the Employee Incentive Rights Plan.

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

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

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

The following is a summary of movements in incentive rights on issue during the financial year.

Expiry	Exercise Price	1 July 2022	Issued	Exercised	Lapsed	30 June 2023
30 June 2026	$Nil	178,062	-	(178,062)	-	-
31 December 2026	$Nil	-	562,192	-	-	562,192
30 June 2027	$Nil	-	493,859	-,	-	493,859
30 June 2025[1]	$Nil	-	9,042,667	-	-	9,042,667
		178,062	**10,098,718**	**(178,062)**	**-**	**10,098,718**
Weighted average exercise price		$Nil	$Nil	$Nil	$Nil	$Nil

[1] On 12 September 2023, 9,042,667 options and employee performance rights over ordinary shares were cancelled as the applicable vesting conditions had not been satisfied at the vesting date.

Expiry	Exercise Price	1 July 2021	Issued	Exercised	Lapsed	30 June 2022
30 June 2026	$Nil	-	512,599	-	(334,537)	178,062
		-	**512,599**	**-**	**(334,537)**	**178,062**
Weighted average exercise price		$Nil	$Nil	$Nil	$Nil	$Nil

The weighted average remaining term to expiry of issued options was 2.18 years at 30 June 2023 (2022: 4 years).

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

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

5.1 Reserves

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

	2023 $'000	2022 $'000
Reserves:		
Options Reserve opening balance	8,834	8,823
Share based payments expenses	41	11
Transfer to share capital	-	-
Total Reserves	**8,875**	**8,834**

5.2 Related party disclosures

During the financial year the following related party transactions occurred**:**

5.2.1 Key management personnel

Director or Consulting fees were paid to or accrued by the following and are related party transactions:	2023 $	2022 $
Decambruns Pty Ltd – an entity associated with Rodney Cameron (Director of Blue Energy Limited – November 2011 to present).	60,882	59,091

The non-executive Directors fees are $62,100 pa (2022: $60,000pa), Risk and Audit Committee fees are $5,175pa (2022: $5,000 pa) both inclusive of superannuation.

Refer also to Note 5.3.1 for remuneration paid to key management personnel and Note 5.1 for share based payments made during the period.

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

5.2.2 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.

5.2.3 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.

5.3 Key management personnel

5.3.1 Key management personnel compensation

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

	2023 $	2022 $
Short term employee benefits	830,976	745,771
Post-employment benefits	64,042	59,318
Long term benefits	28,230	16,244
Share based payments	12,481	-
Total	**935,729**	**821,333**

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

5.4.2 Loans to key management personnel

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

6 RESULTS FOR THE YEAR

6.1 Income

	2023 $'000	2022 $'000
Financial income		
Interest received	111	15
	111	**15**
Other income		
Gain on sale of exploration tenement	175	-
Fuel tax credits received	116	-
	291	-
Total Income	**402**	**15**

Income accounting policy
Interest income is recognised as the interest accrues to the net carrying amount of the financial asset. All income is stated net of the amount of goods and services tax (GST).
Other Income is recognised when it accrues. It is stated net of the amount of goods and services tax (GST).

6.2 Segment reporting

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

6.3 Profit and loss for the year

Loss before income tax includes the following specific expenses:

	2023 $'000	2022 $'000
Employee benefit expenses (excluding superannuation expenses)	532	442
Superannuation expenses	117	100
Legal fees	78	87
Business development costs	17	31
Depreciation expenses	48	52
Directors' fees	122	118
Finance charges on lease liability	1	4
Share based payments expense	41	11

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

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

6.4 Income tax

The components of tax expense comprise:	2023 $'000	2022 $'000
Current income tax		
Current income tax charge	(449)	(446)
Adjustments in respect of current income tax of previous years	-	-
Deferred income tax		
Current year tax losses not recognised in the current year	449	446
Income tax (benefit)/expense reported in statement of comprehensive income	-	-

6.4 Income tax (cont'd)

The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:	**2023 $'000**	**2022 $'000**
Accounting loss before income tax	(1,541)	(1,495)
Prima facie (income tax payable) / tax losses generated on loss before income tax at 30% (2022: 30%)	462	449
Sundry non-deductible expenses	(13)	(3)
Tax losses and temporary differences not recognised	(449)	(446)
Income Tax benefit/(expense)	-	-

Deferred Tax Assets

Deferred tax assets include:	**2023 $'000**	**2022 $'000**
Temporary differences, excluding benefits of tax losses, attributable to:		
Provisions	361	282
Accruals	9	9
Business related costs	303	146
Other	8	22
	681	**459**
Losses available for offsetting against future taxable income	45,144	39,214
Total deferred tax assets	**45,825**	**39,673**
Deferred tax liabilities offset against deferred tax assets	(23,214)	(19,479)
Net deferred tax assets not recognised	**22,611**	**20,194**

Deferred Tax Liabilities

Deferred tax liabilities include:	**2023 $'000**	**2022 $'000**
Temporary differences attributable to:		
Exploration and evaluation expenditure	23,201	19,455
Interest receivable	2	1
Other	11	23
Total deferred tax liabilities	**23,214**	**19,479**
Deferred tax liabilities offset against deferred tax assets	(23,214)	(19,479)
Total net deferred tax liabilities	-	-

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

At 30 June 2023, the Group has consolidated carry forward tax losses of $150,480 thousand (tax effected at 30% to $45,144 thousand) and at 30 June 2022, the Group had consolidated tax losses of $130,713 thousand (tax effected at 30% to $39,214 thousand These tax losses are available indefinitely to carry forward against future taxable income of the tax consolidated group. A portion of these carry forward tax losses were offset against deferred tax liabilities in the current year and prior year.

Income tax accounting policy

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. The consolidated group meets the requirements of the ATO for small business concessions for the years ending 2023 and 2022. Deferred tax is calculated using 30% and 30% respectively. Once the consolidated group start to generate turnover in excess of the thresholds, the tax rate applied will revert back to the standard rate.

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

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

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

6.5 Earnings per share

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

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

	2023 #$'000	2022 #$'000
Net loss attributable to ordinary equity holders of the parent	(1,541)	(1,495)
Weighted average number of ordinary shares for basic earnings per share	1,820,761	1,474,331
Weighted average number of ordinary shares for dilutive earnings per share	1,820,761	1,474,331
	Cents/share	Cents/share
Basic EPS	(0.08)	(0.10)
Diluted EPS	(0.08)	(0.10)

A total of Nil (2022: 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

	2023 $	2022 $
- Fees for audit and review of financial statements	60,000	55,000
Total	**60,000**	**55,000**

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	2023 $'000	2022 $'000
Current assets	2,145	6,692
Total assets	87,896	70,969
Current liabilities	997	1,706
Total liabilities	1,002	1,734
Shareholders' equity		
Issued capital	168,687	149,531
Reserves	8,875	8,834
Accumulated losses	(90,668)	(89,130)
	86,894	**69,235**
Statement of comprehensive income		
Loss for the year attributable to owners of the parent	(1,538)	(1,495)
Total comprehensive loss attributable to owners of the parent	**(1,538)**	**(1,495)**

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 2023:

Bank guarantees parent entity - $411k (2022: $343k), these relate to financial assurances for ATPs held by Blue Energy Limited and the office lease bond.

7.2 Contingent assets and liabilities

The Directors are not aware of any other material contingent liabilities or contingent assets at 30 June 2023, not otherwise disclosed in this report.

7.3 Commitments

7.3.1 Contractual commitments for the purchase of goods and services

As at 30 June 2023, the Group had contractual commitments for the acquisition of goods and services amounting to $NIL (2022: $4.189 million). These goods and services relate primarily to expenditure related to the Sapphire exploration drilling program.

7.4 Events subsequent to the reporting date

Subsequent to the end of the reporting period, no material events have occurred from balance date up to the date of this report except as noted below:

- Following completion of the 2022 Sapphire pilot drilling campaign, the resulting geological well data was submitted to the Company's independent reserve certifier Netherland Sewell and Associates Inc (NSAI) of Dallas Texas. NSAI and Blue are currently working through the dataset together to re-assess the Reserves in the Sapphire Block. Additionally, NSAI have already reviewed the Central and Lancewood Blocks in light of Blue's decision to re-assess the merit at this time of pursuing a Production Licence Application for these two blocks, which are further from the existing infrastructure. Consequently, based on that more distant infrastructure and well data, the 2P and 3P reserves carried for these two blocks have been reassigned as Contingent Resources. The resulting review of Central and Lancewood blocks has yielded the following reserve and resource estimates:

Lancewood Block

Permit	1P (PJ)		2P (PJ)		3P (PJ)		1C (PJ)		2C (PJ)		3C (PJ)	
	new	[+]old	new	[+]old	new	[+]old	new	[+]old	new	[+]old	new	[+]old
ATP 814P, Lancewood Block, Qld	–	–	-	-	0	1	203.2	5.0	232.8	23.0	573.1	435.0
% change	–	–	-%	–	-100.0%	–	+3,964.0%	–	+912%	–	+31.7%	–

Central Block

Permit	1P (PJ)		2P (PJ)		3P (PJ)		1C (PJ)		2C (PJ)		3C (PJ)	
	new	[+]old	new	[+]old	new	[+]old	new	[+]old	new	[+]old	new	[+]old
ATP 814P, Central Block, Qld	–	–	0	12	0	75	39.1	50.0	111.1	99.0	469.4	306.0
% change	–	–	-100%	–	-100.0%	–	-21.8%	–	+12.2%	–	+53.4%	-

Current ATP 814 Gas Reserves and Contingent Gas Resource Estimate

Permit	1P (PJ)		2P (PJ)		3P (PJ)		1C (PJ)		2C (PJ)		3C (PJ)	
	new	old	new	old	new	old	new	old	new	old	new	old
ATP 814P, All Blocks	--	--	66.5	78.5	260	335.2	411	224.3	1385	1163.9	3577	3276.4
% change	--	--	-15.3%	--	-22.4%	--	+83.0%	--	+19.0%	--	+9.0%	--

Following the NSAI review of Lancewood and Central Blocks (ATP 814) the total Corporate Reserves and Resources estimate attributable to Blue Energy is as follows:

Permit	1P (PJ)		2P (PJ)		3P (PJ)		1C (PJ)		2C (PJ)		3C (PJ)	
	new	old	new	old	new	old	new	old	new	old	new	old
ATP 814P	--	--	66.5	78.5	260	335.2	411	224.3	1385	1164	3577	3276
ATP 813	--	--	--	--	--	--	--	--	61	61	830	830
ATP 854	--	--	--	--	--	--	90	90	194	194	398	398
Total	--	--	66.5	78.5	260.0	335.2	501.0	314.3	1640.0	1418.0	4804	4504.0
% change	--	--	-15.3%	--	-22.4%	--	+59.4%	--	+15.6%	--	+6.7%	--

- On 5 September 2023, the Company announced that the Environmental Defenders Office (EDO) had lodged notice of an appeal (NOA) in the Queensland Land Court regarding the decision of the Queensland Department of Environment and Science (DES) to award an Environmental Authority (EA) with standard conditions to Blue for its proposed activities in ATP814. Blue has been included as a party to the appeal by the EDO as Blue is an interested party being the beneficiary of the EA granted to it. Blue Energy is awaiting further and better particulars of the Appellant's amended NOA to obtain further information and to better understand the Appellant's pleadings and the grounds that they intend to rely on. At such a preliminary stage, it would be premature to speculate on the outcome of the proceedings. It is worth noting however that the EA application made by Blue Energy was assessed by DES in its Original Decision and on Internal Review. In both decisions, objectors raised issues similar to those which are now raised by the Appellant in the NOA and, taking those submissions into account, DES was satisfied that the application satisfied the requirements of the *Environmental Protection Act 1994* (Qld) and granted the EA.

Directors' Declaration

The Directors of Blue Energy Limited declare that:

1. the financial statements and notes, as set out on pages 25 to 44, 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 2023 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 2023 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 12h day of September 2023

Additional Shareholder Information

Additional information required by the ASX ltd and not shown elsewhere in this report is as follows. The information is current as at 7 September 2023.

(a) Distribution of the Equity Securities

Ordinary share Capital

There are 1,850,973,596 fully paid ordinary shares, held by 5,887 individual shareholders. There is no current on-market buy-back. The number of holders of ordinary shares by range is:

Range	Total holders	Units	% Units
1 - 1,000	300	40,167	0.00
1,001 - 5,000	537	1,827,143	0.10
5,001 - 10,000	814	6,766,294	0.37
10,001 - 100,000	2,717	109,265,826	5.90
100,001 Over	1,519	1,733,074,166	93.63
Rounding			**0.00**
Total	**5,887**	**1,850,973,596**	**100.00**

The number of holders of unmarketable parcels is :

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.0170 per unit	29,412	2,917	31,973,732

(b) Substantial Shareholders

Name	Units	% Units
JEACH PTY LTD <THE PIPPI SUPER FUND A/C>	125,772,734	6.79
GREIG & HRRISON PTY LTD	120,191,428	6.49

(c) Twenty largest holders of Quoted Equity Securities

Rank	Name	Units	% Units
1	JEACH PTY LTD <THE PIPPI SUPER FUND A/C>	125,772,734	6.79
2	NATIONAL NOMINEES LIMITED	67,244,030	3.63
3	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	53,020,202	2.86
4	CITICORP NOMINEES PTY LIMITED	52,003,290	2.81
5	GIRDIS SUPERANNUATION PTY LTD C/-ELLICE-FLINT FINANCIAL PLAN LEVEL 13	42,812,065	2.31
6	HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	34,418,667	1.86
7	BETA GAMMA PTY LTD <WALSH STREET SUPER A/C>	32,000,000	1.73
8	GEOTECH RESOURCES PTY LTD <PHILLIPS FAMILY A/C>	31,229,574	1.69
9	2INVEST AG	24,032,259	1.30
10	ROSSDALE SUPERANNUATION PTY LTD <ROSSDALE SF A/C>	23,780,000	1.28
11	NGA PROMOTIONS PTY LTD	23,000,000	1.24
12	MR FREDERICK BART	22,928,737	1.24
13	ROOKHARP CAPITAL PTY LTD	18,064,517	0.98
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	16,116,869	0.87
15	BRAZIL FARMING PTY LTD	16,000,000	0.86
16	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	15,995,835	0.86
17	UBS NOMINEES PTY LTD	15,987,745	0.86
18	HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C>	15,308,333	0.83
19	4F INVESTMENTS PTY LTD	15,271,420	0.83
20	DD LYNCH PTY LTD <TOMSIC FAMILY A/C>	15,000,000	0.81
Totals: Top 20 holders of ORD FULLY PAID SHARES (Total)		**659,986,277**	**35.66**
Total Remaining Holders Balance		**1,190,987,319**	**64.34**

CORPORATE DIRECTORY

BLUE ENERGY LIMITED
ACN 054 800 378

DIRECTORS

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

COMPANY SECRETARY

Stephen Rodgers

REGISTERED OFFICE

Level 10, 26 Wharf Street
Brisbane Qld 4000

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www.blueenergy.com.au

BRISBANE OPERATIONS

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+61 7 3270 8800
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SHARE REGISTRY

Computer Share Registry Services Limited
Level 1, 200 Mary Street
Brisbane QLD 4000

1300 552 270

AUDITORS

Pitcher Partners
Central Plaza 1
Level 38/345 Queen Street
Brisbane QLD 4000

BANKERS

NAB

STOCK EXCHANGE

ASX Limited
20 Bridge Street
Sydney NSW 2000

Trading code
Ordinary shares: **BLU**