FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

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 2021.

DIRECTORS

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

Name	Position	Date Appointed	Date Resigned
John Ellice-Flint	Executive Chairman	05/04/2012	-
John Phillips	Managing Director (Executive)	28/06/2010	-
Rodney Cameron	Non-executive Director (Deputy Chairman)	15/11/2011	
Mark Hayward	Non-executive Director	16/02/2021	-
Karen Johnson	Non-executive Director	30/09/2011	10/11/2020

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

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

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

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 will chair the Risk and Audit Committee.

Karen Johnson BComm, FCA, GAICD - resigned 10/11/2020
Over the last 30 years Karen has held senior roles specialising in audit, assurance, technical and corporate governance consulting and financial accounting engagements within Chartered Accounting firms, public sector entities and private companies. Karen brings to the Board strong technical accounting skills through knowledge and application of Australian Accounting and Auditing Standards and an ability to quickly grasp complex business operations and identify the key risk areas for analysis, risk assessment and critical evaluation.

Directorships of other listed companies
No Directorships in other listed companies were held by current directors in the three years up to 30 June 2021.

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

	2021	2020
	(Cents)	(Cents)
Basic loss per share	(0.07)	(0.38)
Diluted loss per share	(0.07)	(0.38)

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 (2020: nil).

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

Reserve and Resource Position

There has been no material change to the Group's Reserve or Resource position in the last 12 month period to 30 June 2021. Blue Energy's Bowen Basin 2P and 3P Reserves are estimated (by the independent consultancy Netherland, Sewell and Associates, Inc of Dallas Texas (NSAI)) to be 71 PJ and 298 PJ respectively. Blue Energy's current 3C Contingent Resource estimate is 4,179 PJ of technically recoverable gas, whilst the 1C and 2C Contingent Resource estimates are 158 PJ and 1,166 PJ respectively. The Gas Reserves remain confined to ATP814P in the North Bowen Basin, whilst the Contingent Resources are established by NSAI in Blue's ATP814P, ATP813P and ATP854P tenements. The current Reserve and Resource estimate by NSAI has not varied from the prior year and this is tabled below (Table 1).

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

These reserves remain undeveloped due to local market conditions and lack of gas pipeline infrastructure from the North Bowen Basin region to the main east coast domestic gas market. It is the Group's intention to develop these reserves by facilitating appropriate commercial transactions to enable the economic construction of appropriate gas infrastructure. The reserves are proximate to existing production but require appropriate infrastructure and commercial arrangements to be put in place for them to be brought to market. Both the Federal and Queensland Governments are prioritising studies into the feasibility of gas pipeline infrastructure as part of the Federal Government's post COVID "Gas Led Recovery" initiative.

Several commercial transactions have been entered into by the Company in the last 12 months, including a Heads of Agreement to supply 100 PJ of gas to Energy Australia over 10 years at Wallumbilla, from the Company's ATP 814 tenement. Additionally, a Heads of Agreement with Origin Energy to supply up to 300 PJ of gas over 10 years also at Wallumbilla. These two most recent agreements are in addition to the Memorandum of Understanding executed in 2019 with Queensland Pacific Metals to supply 112 PJ over 15 years to their proposed Nickel refinery in Townsville.

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

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

Permit	Block	1C (PJ)		1P (PJ)		2C (PJ)		2P (PJ)		3C (PJ)		3P (PJ)	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
ATP854P Surat Basin Qld		22	22	-	-	47	47	-	-	101	101	-	-
ATP813P Galilee Basin Qld		-	-	-	-	61	61	-	-	830	830	-	-
ATP814P Bowen Basin Qld	Sapphire	66	66	-	-	108	108	59	59	186	186	216	216
	Central	50	50	-	-	99	99	12	12	306	306	75	75
	Monslatt	-	-	-	-	619	619	-	-	2,054	2,054	-	-
	Lancewood	5	5	-	-	23	23	-	-	435	435	1	1
	South	15	15	-	-	27	27	-	-	30	30	6	6
	Hillalong	-	-	-	-	182	182	-	-	237	237	-	-
Total (PJ)		**158**	**158**	**-**	**-**	**1,166**	**1,166**	**71**	**71**	**4,179**	**4,179**	**298**	**298**

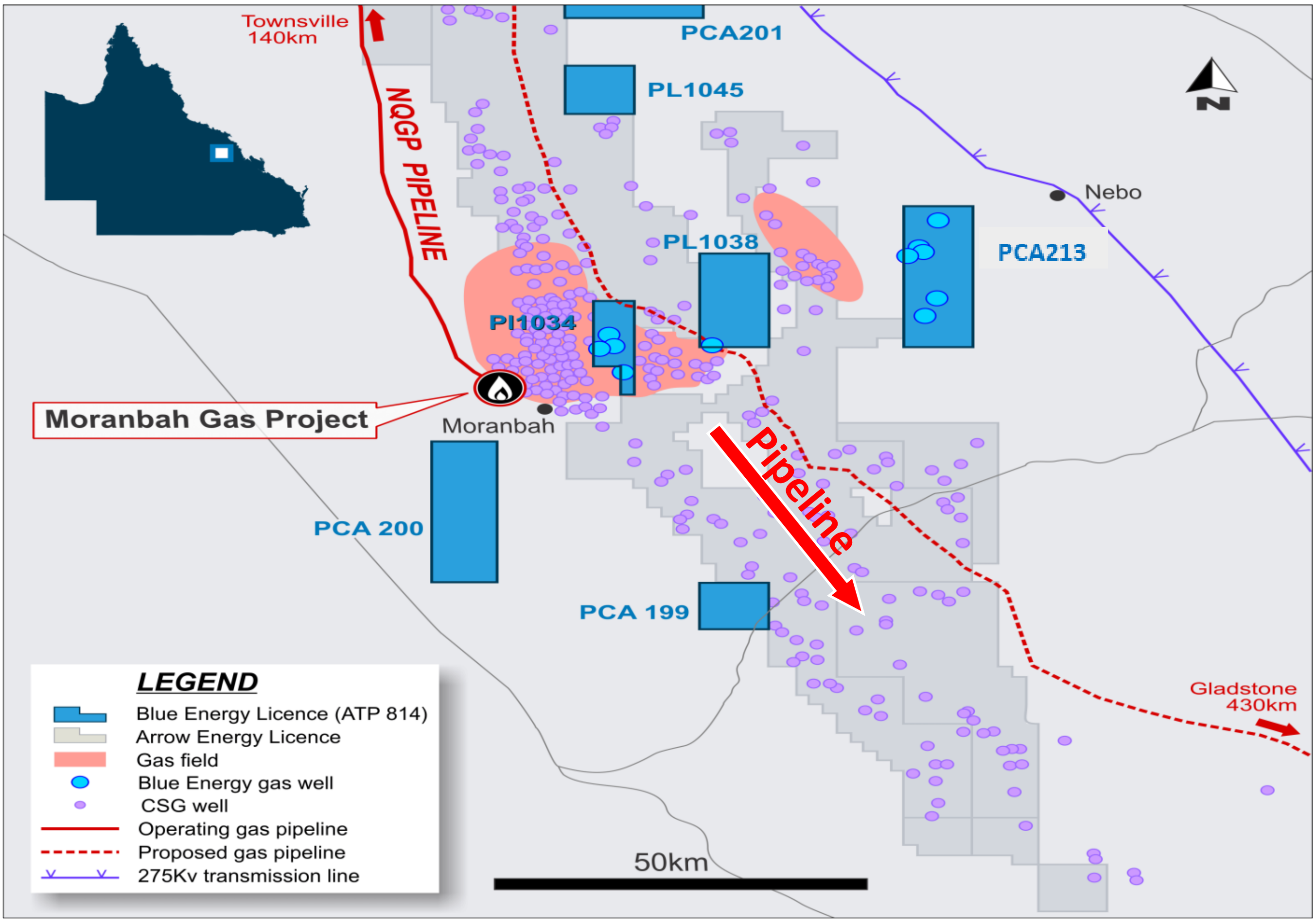
Competent Person Statement
The estimates of reserves and contingent resources have been provided by Mr John Hattner of NSAI. Mr Hattner is a full-time employee of NSAI, has over 30 years of industry experience and 20 years of experience in reserve estimation, is a licensed geologist, and has consented to the use of the information presented herein. The estimates in the report by Mr Hattner have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum and Resource Management System (PRMS) approved by the Society of Petroleum Engineers (SPE), utilising a deterministic methodology.

ATP814P (Blue Energy 100% and Operator) - Bowen Basin
This permit currently has 2P reserves of 71 PJ, 3P reserves of 298 PJ and 3,248 PJ of Contingent Resources (as independently estimated by NSAI). It consists of 7 separate blocks, with the Sapphire Block holding the majority of the 2P and 3P reserves. This Block is in very close proximity to the current production from the Moranbah Gas Project Joint Venture.

Blue's MoU with pipeliner APA Group to investigate a pipeline route to take Blue's gas to the southern market remains on foot and has been strengthened by the interest the Federal and State Governments' have in bringing new gas supply from the North Bowen Basin to market as evidenced by their independent feasibility study for the pipeline connection

The 3 separate Production Licence Applications (PLA's) lodged previously with the Queensland Department of Resources are still under consideration by the Regulator as Blue continues to progress the necessary studies for the environmental authorities required for Grant of the Production Licences, together with Native Title Agreements for the respective areas.

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



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

ATP813P is located to the north of the Aramac township in central west Queensland. Blue Energy's exploration work on the permit to date has resulted in 830 PJ of Contingent Resource being estimated by the Company's independent reserve specialist NSAI.
Blue lodged 9 separate Potential Commercial Area Applications in 2017, and as at 30 June 2021, these were still evaluated for grant by the Queensland Government.

ATP854P – Surat Basin Queensland (Blue Energy and 100% Operator)
The exploration work done by Blue Energy to date has identified a Contingent Gas resource of 101 PJ in the Late Permian Bandana Formation Coals. This permit lies immediately west of the main feed gas supply for both the Gladstone LNG and the Australia Pacific LNG liquefaction plants in Gladstone.

Blue Energy lodged Potential Commercial Areas (PCA's) applications covering this tenure with the Queensland Department of Resources, and as at 30 June 2021, these were still under evaluation by the Department.

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

Greater McArthur Basin, Northern Territory
EP199A, 200, 205, 206A, 207, 208A, 209A, 210A, 211A (Blue Energy Ltd farming in and Operator)
The Northern Territory (NT) Government has introduced many new amendments to the Petroleum, Water and Environment Acts as a result of the 135 Pepper Inquiry recommendations deemed necessary to regulate the industry to ensure it operated safely. Whilst these amendments have lengthened the approval process for all oil and gas exploration activities in the Territory, there are still further legislative amendments expected to accommodate those Pepper Inquiry recommendations relating to Production Licence tenures. These longer approval timeframes have impacts of field activity in the already restricted exploration season in the NT.

Blue Energy's granted permits (EP 200, 205 and 207) which have been under suspension (at Blue's request) due to the regulatory reform process of the Northern Territory Government and the sporadic COVID 19 access restrictions to remote communities, continued under suspension during the period. Blue however has commenced engagement with the pastoralists in these tenements to obtain Land Access Agreements as part of the approval process for its planned regional 2D seismic acquisition program. Whilst the work program suspensions remain in place until February 2022, Blue hopes to be in a position where it has all the necessary government approvals and land access agreement to conduct the seismic acquisition in the 2022 dry season.

In addition, Blue continues to work with the Aboriginal Land Councils to establish work program approvals as necessary, plus the community licence, required by new Northern Territory Legislation.

ATP 656, 657, 658, & 660 Cooper Basin Queensland (Blue Energy 100% - and Operator)
As reported last year, Blue has entered into an agreement with an Australian energy company, whereby Blue would be reimbursed for its post-grant nominal back costs. This agreement is subject to, and conditional upon approval by the Queensland Government. The transaction included upgrading of the these tenures to Production Licences as is mandated under the Petroleum Act (1923). These applications are currently with the Queensland Department of Resources for approval.

Georgina Basin and Carpentaria Basins Application Areas - ATP 1112, 1114, 1117, 1123 A (Blue Energy 100% and Operator)
Blue Energy is seeking resolution of the long running Native Title negotiations (which is required to facilitate grant of these tenures), and has engaged in a process with the National Native Title Tribunal to expedite grant of these areas.

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

Financial Position
The net assets of the Group have decreased by $0.99m from 30 June 2020 to $61.7m at 30 June 2021. This represents the corporate and administrative running costs of the business.

The Group posted a loss after income tax for the period of $0.99m (2020: $5.06m including asset impairment).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS AFTER BALANCE DATE

Subsequent to year end, the Company has undertaken a capital raising process consisting of a private placement to institutional and sophisticated investors. This process raised $10 m in capital to fund future operations including an appraisal drilling program to convert gas resources into gas reserves in the Company's North Bowen Basin acreage together with seismic acquisition activities in the Northern Territory.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group holds various licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.
All exploration activities have been undertaken in compliance with all relevant environmental regulations, and authorities granted to it to undertake exploration activities.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

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

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

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

EFFECTS OF COVID19

During FY2021, Blue continued to be affected by the economic impacts of the COVID19 pandemic. Blue is still impacted by the continued shift in Government focus during this time, thus further slowing down the application process for PCA's and PL's. In addition, due to border closures and travel restrictions to indigenous communities in the Northern Territory, and north Queensland, some of the planned Native title consultation work in these areas remains on hold.

From a financial point of view, Blue was not eligible to access the Government's Job Keeper subsidies as the Group is a non-income based business. The Group benefited from the Government's 'cash bonus' scheme to the amount of $75k in FY2020 and with a further $25k in Qtr1 of FY2021. This income is disclosed as "other income" in the financial statements.

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

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 2020 AGM passed the Remuneration Report, and whilst some Employee Rights from the 2018 financial year vested at 30 June 2020, there was no grant of Rights to executives in the 2020 financial year and no incentives have been granted in 2021.

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

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

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

2021

	Salary & fees	Other benefits(3)	Superannuation	Options/Rights	Total	Proportion of Remuneration Performance Related	Value of Options/Rights as a Proportion of Remuneration
	$	$	$	$	$	%	%
Directors							
R Cameron	59,361(1)	-	5,734(2)	-	65,095	0%	0%
M Hayward	19,786(1)	-	1,880		21,666	0%	0%
K Johnson(4)	24,734(1)	-	2,445(2)	-	27,179	0%	0%
TOTAL	103,881	-	10,059	-	113,940	0%	0%
Executive Directors							
J Phillips	390,000	32,725	25,000	-	447,728	0%	0%
J Ellice-Flint	200,000	19,895	19,095(2)	-	238,990	0%	0%
TOTAL	590,000	52,620	44,095	-	686,718	0%	0%
TOTAL	693,881	52,620	54,154	-	800,658	0%	0%

(1) Salary and fees include director's and Risk and Audit Committee ('RAC")fees.
(2) Superannuation inclusive of $95 additional Superannuation for each director, representing the superannuation paid on the cash element of the rights that vested on 30 June 2020.
(3) Current year Accrued Annual Leave and Long Service Leave
(4) Resigned 10/11/20

2020

	Salary & fees(3)	Other Benefits(5)	Superannuation	Options/Rights(4)	Total	Proportion of Remuneration Performance Related	Value of Options/Rights as a Proportion of Remuneration
	$	$	$	$	$	%	%
Directors							
K Johnson	60,360	-	5,734	-	66,095	0%	0%
R Cameron	60,360	-	5,734	-	66,095	0%	0%
TOTAL	120,720	-	11,468	-	132,190	0%	0%
Executive Directors							
J Phillips(1)	376,000	34,981	25,000	-	435,981	0%	0%
J Ellice-Flint(2)	201,000	10,974	19,095	14,553	245,622	6%	6%
TOTAL	577,000	45,955	44,095	14,553	681,603	2%	2%
TOTAL	697,722	45,955	55,563	14,553	813,793	2%	2%

(1) Mr Phillips has been granted no performance rights under the EIRP for the year ended 30 June 2020.
(2) Mr Ellice-Flint has been granted no performance rights under the EIRP for the year ended 30 June 2020.
(3) Salary and fees include fees, RAC fees and $1,000 for each director, representing the cash element of the rights that vested on 30 June 2020.
(4) The options/rights are valued at the effective grant date and expensed over a 3 yr period. This represents amount expensed in FY2020 relating to the rights that vested and were exercised. Mr Phillips did not exercise his vested rights. There was no expense relating to Ms Johnson and Mr Cameron rights' that vested, and were exercised, in 2020 as they were expensed in a prior period.
(5) Current Year Accrued Annual Leave and 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 $60,000 (2020: $60,000) per annum, inclusive of Superannuation Guarantee where applicable. Directors who are appointed to committees of the Board receive an additional $5,000 (2020: $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 2020 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 June 2021, Mr Phillips has been awarded nil (2020: nil) performance rights under the new EIRP 2020.

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

Other Key Management Personnel
Key Management Personnel may be employed by the Company under a contract.
At the date of this report, no other employees were considered to be key management personnel.

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

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

Interests in Options and Employee Incentive Rights of the Company

2021
There are currently no interests in options and employee incentive rights over ordinary shares in Blue Energy Limited held directly, indirectly or beneficially.

2020

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

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

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

2021	Balance at 30 June 2020 Number	Granted as compensation Number	Off Market Purchase Number	Net Change Other Number(1)	Balance at 30 June 2021 Number
Directors					
J Ellice-Flint	123,950,148	-	-	1,822,586	125,772,734
J Phillips	32,460,806	-	-	-	32,460,806
R Cameron	5,899,240	-	-	53,586	5,952,826
M Hayward	-	-	-	-	-
K Johnson(1)	1,232,574	-	-	53,586	1,286,160
TOTAL	163,542,768	-	-	1,929,758	165,472,526

(1) Resigned 10/11/20

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

End of Audited Remuneration Report

UNISSUED SHARES FOR KEY MANAGEMENT PERSONNEL AT BALANCE DATE

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

OPTIONS OVER SHARES

During the year no options were granted (2020: Nil).
From 30 June 2021 to the date of this report no shares have been issued as a result of the exercise of options.

RIGHTS

The company has not issued any incentive rights over shares since 1 July 2018.

EMPLOYEE OPTIONS AND INCENTIVE RIGHTS

On 13 October 2020 the Directors approved a new Employee Equity Incentive Plan ("EIRP 2020") which superseded the previous Employee Incentive Rights Plan ("EIRP'') which was first implemented in 2010/11. The purpose of the new plan was to implement a simpler form of "at risk'' remuneration component. Equity incentives are now granted at the discretion of the Board rather than based on a prescribed formulaic method. As at the date of this report no Equity incentives have been issued to any employee.

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:

	2021	2020*	2019*	2018	2017
Loss after tax	$0.99m	$5.06m	$5.88m	$1.58m	$1.45m
Share price at year end	$0.064	$0.038	$0.044	$0.091	$0.079
Profit/(Loss) per share – basic (cents)	(0.07)	(0.38)	(0.45)	(0.14)	(0.13)

* Losses impacted by exploration impairment or write off.

DIRECTORS' MEETINGS

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

	Numbers of meetings of full Board		Risk and Audit Committee	
	Entitled to & Held	Attended	Held	Attended
J Ellice-Flint	10	10	*	*
J Phillips	10	10	*	*
R Cameron	10	10	3	3
M Hayward	4	4	2	2
K Johnson	5	5	1	1

* 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 2021, no person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

CORPORATE GOVERANCE STATEMENT

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

During the year ending 30 June 2021 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 2021 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 13 and forms part of the Directors' Report for the year ended 30 June 2021.

NON-AUDIT SERVICES

The Group's auditor, Pitcher Partners have only provided audit services during the financial year. In previous years, where non-audit services are provided by the Group's auditor (Ernst & Young), the Directors were satisfied that the provision of the non-audit service was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided did 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
29th September 2021

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

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

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2021, 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 entities during the year.

Pitcher Partners
PITCHER PARTNERS

J. Evans
JASON EVANS
Partner

Brisbane, Queensland
29 September 2021

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

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 2021, 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 2021 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.

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 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. Exploration and evaluation expenditure totalling $60,970,898 represents a significant balance recorded in the consolidated Statement of Financial Position. AASB6 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 impairment assessment at 30 June 2021 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 meetings to ensure the Group had not decided to discontinue exploration and evaluation in its areas of interest; • 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 AASB6 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 2021, 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 8 to 10 of the directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Blue Energy Limited, for the year ended 30 June 2021, 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
29 September 2021

Blue Energy Limited
Consolidated Statement of Comprehensive Income
FOR YEAR ENDED 30 JUNE 2021

	Note	2021 $'000	2020 $'000
Other income	6.1	42	153
Total Income		**42**	**153**
Operating and administration expenses	6.3	(1,037)	(1,052)
Asset impairment and write-off expense	6.3	-	(4,074)
Expenses for equity settled share based payments		-	(84)
Loss before income tax		**(995)**	**(5,057)**
Income tax benefit/(expense)	6.4	-	-
Loss after income tax expense		**(995)**	**(5,057)**
Total comprehensive loss for the year		**(995)**	**(5,057)**
Total comprehensive loss for the year attributable to:			
Owners of the parent		**(995)**	**(5,057)**
Total comprehensive loss for the year		**(995)**	**(5,057)**
Loss per share (cents per share):			
- basic	6.5	(0.07)	(0.38)
- diluted	6.5	(0.07)	(0.38)

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 2021

	Note	2021 $'000	2020 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	1,955	4,306
Trade and other receivables		86	99
Total Current Assets		**2,041**	**4,405**
Non-Current Assets			
Plant and equipment		6	6
Right of use assets		115	40
Trade and other receivables		169	169
Exploration & evaluation expenditure	3.1	60,971	59,366
Total Non-Current Assets		**61,261**	**59,581**
TOTAL ASSETS		**63,302**	**63,986**
LIABILITIES			
Current Liabilities			
Trade and other payables		447	347
Lease Liability	4.3	43	24
Provisions	3.2.2	465	83
Total Current Liabilities		**955**	**454**
Non-Current Liabilities			
Lease Liability		68	11
Provisions	3.2.2	539	786
Total Non-Current Liabilities		**607**	**797**
TOTAL LIABILITIES		**1,562**	**1,251**
NET ASSETS		**61,740**	**62,735**
EQUITY			
Issued capital	5.1	139,997	139,997
Reserves	5.2	8,823	8,823
Accumulated losses		(87,080)	(86,085)
TOTAL EQUITY		**61,740**	**62,735**

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 2021

	Issued Capital $'000	Accumulated Losses $'000	Reserves $'000	Total Equity $'000
Balance at 30 June 2019	**138,517**	**(81,028)**	**8,830**	**66,319**
Total comprehensive loss				
Loss for the year	-	(5,057)	-	(5,057)
Total comprehensive loss for the year	-	(5,057)	-	(5,057)
Transaction with owners in their capacity as owners				
Issue of new shares	1,420	-	-	1,420
Capital raising costs	(31)	-	-	(31)
Option expense – share based payments	-	-	84	84
Transfer from options reserve to share capital	91	-	(91)	-
Total transactions with owners	1,480	-	(7)	1,473
Balance at 30 June 2020	**139,997**	**(86,085)**	**8,823**	**62,735**

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

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 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts of refunds of GST, other tax credits and government grants		163	173
Payments to employees		(342)	(281)
Payments to suppliers		(728)	(962)
Interest received		20	83
Net cash flows used in operating activities	**4.1**	**(887)**	**(987)**
Cash flows from investing activities			
Funds provided for exploration and evaluation		(1,456)	(1,105)
Net cash flows used in investing activities		**(1,456)**	**(1,105)**
Cash flows from financing activities			
Proceeds from share issue		-	1,420
Capital raising costs		(8)	(23)
Net cash flows provided by financing activities		(8)	**1,397**
Net (decrease)/increase in cash and cash equivalents held		(2,351)	(695)
Cash and cash equivalents at beginning of financial year	4.1	4,306	5,001
Cash and cash equivalents at end of financial year	**4.1**	**1,955**	**4,306**

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 2021 were authorised for issue in accordance with a resolution of the directors on 22 September 2021. 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 (%) 2021	2020
Blue Energy (Qld) Pty Ltd	New South Wales	100%	100%
Eureka Petroleum Pty Ltd	Queensland	100%	100%
Kompliment Pty Ltd	Western Australia	100%	100%
Everdue Pty Ltd	Western Australia	100%	100%
Energy Investments PNG Pty Ltd	Western Australia	100%	100%
Galilee Pipelines Pty Ltd	Queensland	100%	100%
Blue Energy (Wiso) Pty Ltd	Queensland	100%	100%
Blue Energy (Maryborough) Pty Ltd	Queensland	100%	100%

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

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

2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Overview

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

The financial statements have been prepared on an accrual and historical costs basis, modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. 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.

2.1.2 Going concern (continued)

Furthermore, it is recognised that the Group's cash and cash equivalents at 30 June 2021 are not sufficient for it to meet its full exploration expenditure commitments for its various tenements over the full terms of all its exploration tenures or facilitate an expanded exploration program should the Group elect to do so. In addition, the Group's ability to realise the carrying amount of its capitalised exploration and evaluation expenditure asset in the ordinary course of business, is contingent on it maintaining tenure for various areas of interest and being able to access tenements to be able to advance exploration and evaluation efforts.

This being the case, the Group is:

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

Subsequent to year end, the Group has successfully raised $10m in equity funding, refer note 7.3. On this basis, and considering the other matters noted above, the Directors are of the opinion the Group has sufficient funds to meet its debts as and when they fall due and realise its assets and settle its liabilities in the ordinary course of business. 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 that 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 2021. All control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group has retained 100% ownership of all of its subsidiaries throughout the year ended 30 June 2021 (2020:100%). 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, differed tax assets have not been recognised.

2.3.2 Reserve and resource estimates

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas tenements. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and other capital costs. The carrying amount of oil and gas development assets at 30 June 2021 is shown in Note 3.1. The Group estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income. Such changes may impact the Group's reported financial position and results, which include:

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

2.3.3 Exploration and evaluation assets

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

2.3.4 Share based payments

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

2.3.5 Provision for rehabilitation

Land rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and oil and gas properties. The Group assesses its oil and gas rehabilitation provision at each reporting date. The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities include: dismantling and removing structures; rehabilitating well sites and dams or ponds; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

2.4 New accounting standards and interpretations adopted

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 2020 that have a material impact on the amounts recognised in current or future periods.

New standards, amendments and interpretaions effective after 1 July 2021 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 2021, 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.

	2021 $'000	2020 $'000
Exploration and evaluation expenditure acquired	13,648	13,648
Other exploration and evaluation expenditure capitalised	77,327	75,838
Restoration costs (Note 3.2.2)	864	748
Accumulated impairment of exploration and evaluation expenditure	(30,868)	(30,868)
Total exploration & evaluation expenditure	**60,971**	**59,366**

As noted in the directors' report, in respect of ATP 813P, ATP 814P and ATP 854P Permits, the Group has variously lodged Petroleum Lease (PL's), Potential Commercial Areas (PCA's) and/or ATP renewal applications covering these tenures with the Department of 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 2022. These Permits are under suspension as granted by the government as a result of ongoing delays in approval processes from Government and now COVID19 access restrictions. The suspension is in place until February 2022 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.

In 2020, 'Impairment of exploration and evaluation expenditure' increased by $4.074m, as a result of impairment to nil on the Cooper blocks ATPs 656,657,658 and 660 following the Board's decision to review the merits of withdrawing the application to renew the ATPs due to the environmental regulatory uncertainty and future access restrictions relating to proposed Pristine rivers on the Blocks. Notwithstanding the impairment, the Group is attempting to recuperate some nominal back costs through a transaction with an Australian Energy Company.

Exploration and evaluation expenditure accounting policy

Exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.
(i) Pre-licence costs:
Pre-licence costs are expensed in the period in which they are incurred.

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

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

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

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

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

Exploration and evaluation expenditure accounting policy (cont.)

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

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

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

3.2 Commitments

3.2.1 Exploration commitments

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

3.2.2 Provisions

	2021 $'000	2020 $'000
Current		
Provision for restoration and rehabilitation(1)	326	-
Provision for long service leave	139	83
Balance at 30 June	**465**	**83**
Non current		
Provision for restoration and rehabilitation(1)	538	749
Provision for long service leave (2)	1	37
Balance at 30 June	**539**	**786**

(1) Future estimated costs for the restoration and rehabilitation of areas affected by exploration activities. The provision increased by $115k during the year, and $326k was transferred from Non Current to Current provision.

(2) During the year an additional $20k of long service leave was accrued, and $36k was transferred from Non Current to Current provision.

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:

	2021 $'000	2020 $'000
Cash at bank and in hand	322	605
Short-term deposits	1,301	3,299
Other restricted deposits	332	402
Total	**1,955**	**4,306**

The restricted deposits of $332k (2020: $402k) are bank guarantees secured by term deposits relating to financial assurances for ATPs held by Blue Energy Limited and its subsidiaries.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of about three months at a time and earn interest at the short-term deposit rate. Effective interest rate on the short-term deposits was 0.22% (2020: 0.86%) at year end.

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

	2021 $'000	2020 $'000
Loss after income tax	(995)	(5,057)
Adjustments for non-cash items		
Cash flows excluded from profit/(loss) attributable to operating activities:		
Depreciation	49	56
Share options expensed	-	84
Asset impairment expense	-	4,074
Other non-cash items	(25)	9
Changes in assets and liabilities		
Decrease/(increase) in trade debtors and receivables	13	(9)
Decrease/(increase) in ROU leases	(49)	(89)
(Decrease)/increase in trade creditors, accruals, sundry provisions	57	(31)
Increase/(decrease) in provisions and employee entitlements	63	(24)
Net cash used in operating activities	**(887)**	**(987)**

4.2 Financial risk management

4.2.1 Financial risk management policies

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

Financial risk exposures and management

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

Liquidity risk

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

Interest rate risk

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

2021	Note	Annual Weighted Average Interest Rate	Fixed Interest Rate $'000	Floating Interest Rate $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash at bank and in hand	4.1	-	-	322	-	322
Short-term deposits	4.1	0.64%	1,633	-	-	1,633
Trade and other receivables		-	-	-	86	86
Total			**1,633**	**322**	**86**	**2,041**
Financial Liabilities						
Trade and other payables	4.3	-	-	-	447	447
Total		-	-	-	447	447

2020	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	-	-	605	-	605
Short-term deposits	4.1	1.71%	3,701	-	-	3,701
Trade and other receivables		-	-	-	99	99
Total			**3,701**	**605**	**90**	**4,405**
Financial Liabilities						
Trade and other payables	4.3	-	-	-	348	348
Total		-	-	-	348	348

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 $332k (2020: $665k). 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	2021 $'000	2020 $'000
Less than 90 days		86	99
91 days +		169	169
Trade and other receivables		**255**	**268**

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

	Note	2021 $'000	2020 $'000
Less than 9 months		447	347
Current trade and other payables	4.3	**447**	**347**

Net fair values
Net fair values of financial assets and liabilities disclosed are materially in line with carrying values at 30 June 2021 and 30 June 2020 due to their short term nature.

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 2021, 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:

Interest rate sensitivity analysis (cont)

	2021 $'000	2020 $'000
Change in pre-tax profit/(loss)		
- Increase in interest rate by 0.2% (2020:2%)	3	74
- Decrease in interest rate by 0 2% (2020:2%)	(3)	(74)
Change in pre-tax equity		
- Increase in interest rate by 0.2% (2020:2%)	3	74
- Decrease in interest rate by 0.2% (2020:2%)	(3)	(74)

4.3 Trade and other payables

Current:	2021 $'000	2020 $'000
Trade payables	122	44
Sundry payables and accrued expenses[1]	30	45
Employee cost & expenses payable	295	258
Trade and other payables	**447**	**347**

Trade payables are non-interest bearing and are normally settled on 30 day terms.
Blue Energy has several leases that are accounted for as Right of Use Assets. The lease liability represents the outstanding repayments on these leases.

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

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

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

5 CAPITAL AND RELATED PARTY DISCLOSURES

5.1 Issued share capital

	2021		2020	
Ordinary shares:	Number of Shares	$'000	Number of Shares	$'000
Issued & Fully Paid	1,328,882,513	139,997	1,328,882,513	139,997
Movements in ordinary shares on issue:				
Opening balance	1,328,882,513	139,997	1,295,397,290	138,517
Issued shares at 4.5c/share - share purchase plan	-	-	31,555,465	1,420
Issue on exercise of employee incentive rights	-	-	1,929,758	91
Capital raising costs	-	-	-	(31)
Closing balance	1,328,882,513	139,997	1,328,882,513	139,997

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

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

5.1 Issued share capital (cont)

The Company did not pay a dividend during the year ended 30 June 2021, nor has any dividend been proposed up to the reporting date (2020: 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.

On 3rd July 2020, shares were issued with respect to the rights that vested on 30 June 2020.
As per the EIRP, the rights that vested on 30 June 2020 were unconditional and therefore there was a right to shares as at that date. These were physically issued on 3 July 2020. As they were issued during a restricted trading period, the Company arranged for them to be issued for the Directors' benefit by the trustee of the Blue Energy Employee Share Trust (Blue Energy EST) and were transferred from the trust to the Directors on 4 August 2020.

Options over shares
During the year no options were granted (2020: Nil).
From 30 June 2021 to the date of this report no shares have been issued as a result of the exercise of options.

Rights over shares
During the year, the Group granted no new employee incentive rights (2020: Nil). At year end, no retention rights (2020: 6,400,000) and no incentive rights (2020: 5,692,500) vested. In financial year 2020, of the total 12,092,500 rights that vested – 2,000,000 were exercised. Per the conditions of the EIRP, 1,929,758 exercised rights were issued as ordinary shares and the remaining 70,242 rights were paid in cash. None of the employee incentive rights were listed.

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

5.2 Reserves

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

	2021 $'000	2020 $'000
Reserves:		
Options Reserve opening balance	8,823	8,830
Share based payments expenses	-	84
Transfer to share capital	-	(91)
Total Reserves	**8,823**	**8,823**

5.3 Related party disclosures

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

5.3.1 Key management personnel

Director or Consulting fees were paid to or accrued by the following and are related party transactions:	**2021 $**	**2020 $**
Decambruns Pty Ltd – an entity associated with Rodney Cameron (Director of Blue Energy Limited – November 2011 to present). In 2020 superannuation was paid directly into superannuation fund.	59,361	60,360

The non-executive Directors fees are $60,000pa, Risk and Audit Committee fees are $5,000pa both inclusive of superannuation. In addition, in financial year 2020, following the rules of the EIRP. The Directors each received $1,000 being the cash element of the rights that vested in that financial year. Superannuation is due on this payment.
Other than disclosed above, there have been no other transactions with related parties during the year.

5.3.2 Subsidiaries

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

5.3.3 Terms and conditions of transactions with related parties

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

5.4 Key management personnel

5.4.1 Key management personnel compensation

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

	2021 $	**2020 $**
Short term employee benefits	642,620	622,955
Post-employment benefits	44,095	44,095
Share based payments	-	14,553
Total	**686,715**	**681,603**

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

	2021 $'000	**2020 $'000**
Other Income		
Interest received	17	78
Other income (Government COVID19 cash boost)	25	75
Total Income	**42**	**153**

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

Operating & administration expenses	2021 $'000	2020 $'000
Employee benefit expenses	241	218
Superannuation expenses	64	55
Legal fees	55	74
Business development costs	7	31
ROU Depreciation expenses	49	56
Directors' fees (incl of Superannuation)	114	132

Asset impairment expense	2021 $'000	2020 $'000
Adjustment to provisions for impairment of exploration asset	-	**4,074**

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:	2021 $'000	2020 $'000
Current income tax		
Current income tax charge	(306)	(1,514)
Adjustments in respect of current income tax of previous years	-	-
Deferred income tax		
Current year tax losses not recognised in the current year	306	1,514
Income tax (benefit)/expense reported in statement of comprehensive income	-	-

The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:	2021 $'000	2020 $'000
Accounting loss before income tax	(995)	(5,057)
Prima facie (income tax payable) / tax losses generated on loss before income tax at 30% (2020: 30%)	299	1,517
Sundry non-deductible expenses	7	(3)
Tax losses and temporary differences not recognised	(306)	(1,514)
Income Tax benefit/(expense)	-	-

Deferred Tax Assets
Deferred tax assets include:

	2021 $'000	2020 $'000
Temporary differences, excluding benefits of tax losses, attributable to:		
Provisions	376	323
Accruals	6	5
Business related costs	54	57
Other	33	10
	469	**395**
Losses available for offsetting against future taxable income	17,857	17,426
Total deferred tax assets	**18,326**	**17,821**

6.4 Income tax (cont)

Deferred Tax Liabilities Deferred tax liabilities include:	2021 $'000	2020 $'000
Temporary differences attributable to:		
Exploration and evaluation expenditure	18,291	17,810
Prepayments	-	(1)
Interest receivable	-	-
Other	35	12
Total net deferred tax liabilities	**18,326**	**17,821**
Total net deferred tax liabilities	**-**	**-**

There are no franking credits available to shareholders of the Group.
At 30 June 2021, the Group has consolidated carry forward tax losses of $124.9m (tax effected at 30% to $37.4m) and at 30 June 2020, the Group had consolidated tax losses of $122.5m (tax effected at 30% to $36.7m). 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 2021 and 2020. 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:

	2021 #$'000	2020 #$'000
Net loss attributable to ordinary equity holders of the parent	(995)	(5,057)
Weighted average number of ordinary shares for basic earnings per share	1,328,882	1,325,837
Weighted average number of ordinary shares for dilutive earnings per share	1,328,882	1,325,837
	Cents/share	Cents/share
Basic EPS	(0.07)	(0.38)
Diluted EPS	(0.07)	(0.38)

A total of Nil (2020: 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

	2021 $'000	2020 $'000
- Fees for audit and review of financial statements	50	58
- Fees for other services – tax compliance	-	11
Total	**50**	**69**

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	**2021** **$'000**	**2020** **$'000**
Current assets	1,799	4,007
Total assets	61,881	62,678
Current liabilities	698	502
Total liabilities	698	502
Shareholders' equity		
Issued capital	139,997	139,997
Reserves	8,823	8,823
Accumulated losses	(87,637)	(86,644)
	61,183	**62,176**
Statement of comprehensive income		
Loss for the year attributable to owners of the parent	(993)	(4,983)
Total comprehensive loss attributable to owners of the parent	**(993)**	**(4,983)**

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 2021:
Bank guarantees parent entity - $102k (2020: $149k), these relate to financial assurances for ATPs held by Blue Energy Limited and the office lease bond.

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

As at 30 June 2021, the parent entity had no contractual commitments for the acquisition of property, plant and equipment (2020: nil).

7.2 Contingent assets and liabilities

The Directors are not aware of any other material contingent liabilities or contingent assets at 30 June 2021, not otherwise disclosed in this report.

7.3 Events subsequent to the reporting date

Subsequent to year end, the Company has undertaken a capital raising process consisting of a private placement to institutional and sophisticated investors. This process raised $10m in capital to fund future operations including an appraisal drilling program to convert gas resources into gas reserves in the Company's North Bowen Basin acreage together with seismic acquisition activities in the Northern Territory.

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

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For the year ended 30 June 2021

Directors' Declaration

The Directors of Blue Energy Limited declare that:

1. the financial statements and notes, as set out on pages 18 to 35, 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 2021 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 2021 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 29th day of September 2021

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 17 September 2021.

(a) Distribution of the Equity Securites

Ordinary share Capital

There are 1,328,882,513 fully paid ordinary shares, held by 5,943 individual shareholders. There is no current on-market buy-back.

The number of holders of ordinary shares by range is:

Range of Units As Of 17/09/2021 **Composition : ORD**

Range	Total holders	Units	% Units
1 - 1,000	281	40,800	0.00
1,001 - 5,000	577	1,964,427	0.15
5,001 - 10,000	890	7,374,434	0.55
10,001 - 100,000	2,787	111,893,502	8.42
100,001 Over	1,408	1,207,609,350	90.87
Rounding			**0.01**
Total	**5,943**	**1,328,882,513**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.0630 per unit	7,937	1,213	4,274,931

(b) Substantial Shareholders

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

(c) Twenty largest holders of Quoted Equity Securities

Top Holders (Grouped) As Of 17/09/2021 **Composition : ORD**

Rank	Name	Units	% Units
1	JEACH PTY LTD <THE PIPPI SUPER FUND A/C>	125,772,734	9.46
2	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	40,242,706	3.03
3	GIRDIS SUPERANNUATION PTY LTD C/-ELLICE-FLINT FINANCIAL PLAN LEVEL 13	37,212,065	2.80
4	HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	32,528,334	2.45
5	GEOTECH RESOURCES PTY LTD <PHILLIPS FAMILY A/C>	31,229,574	2.35
6	ROSSDALE SUPERANNUATION PTY LTD <ROSSDALE SF A/C>	21,780,000	1.64
7	NGA PROMOTIONS PTY LTD	20,000,000	1.51
8	CITICORP NOMINEES PTY LIMITED	17,470,296	1.31
9	BETA GAMMA PTY LTD <WALSH STREET SUPER FUND A/C>	17,457,388	1.31
10	HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C>	15,308,333	1.15
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,442,818	1.01
12	MR GEOFFREY VICTOR DAY + MRS ANNE MARGARET DAY <G V DAY SUPER FUND A/C>	12,000,000	0.90
13	SEYMOUR GROUP PTY LTD	10,538,642	0.79
14	GUPTA MGMT PTY LTD <GUPTA MEDICAL P/L S P F A/C>	10,300,000	0.78
15	DD LYNCH PTY LTD <TOMSIC FAMILY A/C>	10,000,000	0.75
16	IDOLLINK PTY LTD <MCKEITH SUPER FUND A/C>	9,575,651	0.72
17	SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY SUPERFUND A/C>	9,100,000	0.68
18	MR JOHN LAWRENCE MCINTYRE	9,000,000	0.68
19	PANORAMIC ROAD PTY LTD	8,800,000	0.66
20	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	8,211,065	0.62
Totals: Top 20 holders of ORD FULLY PAID SHARES (Total)		**459,969,606**	**34.61**
Total Remaining Holders Balance		**868,912,907**	**65.39**

(d) Voting Rights

Ordinary shares carry one vote per share and carry the rights to dividends.

Options and rights have no voting rights or rights to dividends

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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+61 7 3270 8899
www.blueenergy.com.au

BRISBANE OPERATIONS

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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

ANZ

STOCK EXCHANGE

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

Trading code
Ordinary shares: **BLU**