



Level 3, 410 Queen Street,  
Brisbane QLD 4000  
t +61 7 3270 8800  
f +61 7 3270 8899

**FINANCIAL REPORT**  
**For the half-year ended 31 DECEMBER 2014**

# INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2014

## CONTENTS

DIRECTORS' REPORT	1
AUDITOR'S INDEPENDENCE DECLARATION	6
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11
DIRECTORS' DECLARATION	15
INDEPENDENT AUDITOR'S REVIEW REPORT	16

# DIRECTORS' REPORT

For the half-year ended 31 December 2014

The Directors of Blue Energy Limited and its controlled entities ("the Company" or "Blue Energy") submit herewith their report on the financial statements of the Company for the half-year ended 31 December 2014.

## DIRECTORS

The names of the Directors who held office during or since the end of the half-year and to the date of this report:

John Ellice-Flint (Chairman)	(Appointed 5 April 2012)
John Phillips	(Appointed 28 June 2010)
Karen Johnson	(Appointed 30 September 2011)
Rodney Cameron	(Appointed 15 November 2011)
Jooho Maeng	(Appointed 12 February 2013)

## REVIEW OF OPERATIONS

### Reserve and Resource Position

During the period the Company received an independent report upgrading Blue Energy's Bowen Basin Contingent Resources by 21% to 4,394 PJ of recoverable gas.

**Table 1 (highlighting recent Bowen Basin upgrades)**

Permit	Block	Assessment Date	Announcement Date	1P (PJ)	1C (PJ)	2P (PJ)	2C (PJ)	3P (PJ)	3C (PJ)
ATP854P		30/06/2012	19/03/2013	-	22	-	47	-	101
ATP813P		29/10/2014	30/10/2014	-	-	-	61	-	830
ATP814P	Sapphire	13/01/2015	15/01/2015	-	74	50	129	178	229
ATP814P	Central	13/01/2015	15/01/2015	-	65	-	156	-	567
ATP814P	Monslatt	13/01/2015	15/01/2015	-	-	-	632	-	2,115
ATP814P	Lancewood	13/01/2015	15/01/2015	-	7	2	25	15	522
ATP814P	South	30/06/2013	29/07/2013	-	15	-	27	6	30
<b>Total (PJ)</b>				-	<b>183</b>	<b>52</b>	<b>1,077</b>	<b>199</b>	<b>4,394</b>
<b>Total (bcf)</b>				-	<b>183</b>	<b>52</b>	<b>1,077</b>	<b>199</b>	<b>4,394</b>

### Competent Person Statement

The estimates of reserves and contingent resources have been provided by Mr John Hattner of Netherland, Sewell and Associates Inc. 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.

### Industry Developments

#### Gas Price – Implications of First LNG Cargos Leaving Gladstone

An historic milestone was reached for the gas industry in Queensland in early January 2015 with the first cargoes of LNG departing BG's QCLNG Plant on Curtis Island. They represent the first time an unconventional gas source (in this case Coal Seam Gas) has been used to produce commercial LNG anywhere in the world.

In the Directors view, it also signals the start of exponential growth in gas demand in Gladstone as this LNG plant and the subsequent other two plants (APLNG and GLNG) commence LNG production from their initial trains. The six LNG trains coming on line in Gladstone over the next two years will require approximately 3,600 Terra Joules of gas every day for the next twenty years to produce LNG at the nameplate train capacity.

For perspective, Queensland's, daily domestic gas consumption runs at approximately 1900 Terra Joules per day. This monumental shift in the east coast gas supply and demand equation has been postulated and discussed at length over the last few years, but has now crystallised and will result in a new price environment for domestic gas which will be governed by the LNG net back pricing out of Gladstone. The historical fact of the past forty years of gas producers being price takers, would now appear to be over.

With the first three LNG trains in Gladstone likely to be in operation by the September quarter and with the already intense upstream gas swap arrangements between the LNG producers on feed gas, Blue Energy's acreage position in

## DIRECTORS' REPORT

For the half-year ended 31 December 2014

the Bowen, Maryborough and Surat Basins is ideally located to take advantage of the massive gas demand developing in Gladstone.

### **Oil price**

In light of the deteriorating market conditions, the course adopted by the Blue Energy Board several years ago of reducing costs as part of its mantra of responsible capital stewardship has been shown to be prudent.

### **Surat Basin**

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

The prospect of an additional coal seam gas (CSG) play has been identified by the Company within the 100% owned ATP854P block.

Based on available existing geologic data, the potential of the Early Permian Cattle Creek Group has been recognised by the Company as an additional CSG prospect in the north east corner of ATP 854P – adjacent to the producing Spring Rock field operated by the GLNG consortium.

Blue Energy currently has 101 PJ of 3C Contingent Resource (assessed by NSAI) attributed to the Late Permian Bandanna Coal Measures in ATP854P, which is located immediately west of the Fairview CSG field, the main feed gas source for GLNG's Gladstone export LNG facility.

### **Bowen Basin**

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

As recently advised to the market (20 January 2015), Blue Energy received a gas resource upgrade from independent Dallas based reserve certifiers Netherland, Sewell and Associates (NSAI).

The NSAI upgrade for the ATP814P permit has increased the 3C contingent resource category by 23% or 657 PJ (recoverable gas) to a total of 3,463PJ (3C).

In addition, the independent NSAI gas resource upgrade has also increased the sub-categories of 1C and 2C Contingent Resources for the permit by 30% and 37% respectively (see Table 1).

Work between Blue Energy and NSAI on further reserve and resource upgrades is continuing.

The six separate blocks comprising ATP814P are surrounded by Arrow Energy's existing Moranbah Gas Project (see Figure 1) and its proposed new gas development and export pipeline project which is presently undergoing a Front End Engineering and Design (FEED) process to supply gas to the Gladstone LNG hub.



**DIRECTORS' REPORT**  
For the half-year ended 31 December 2014

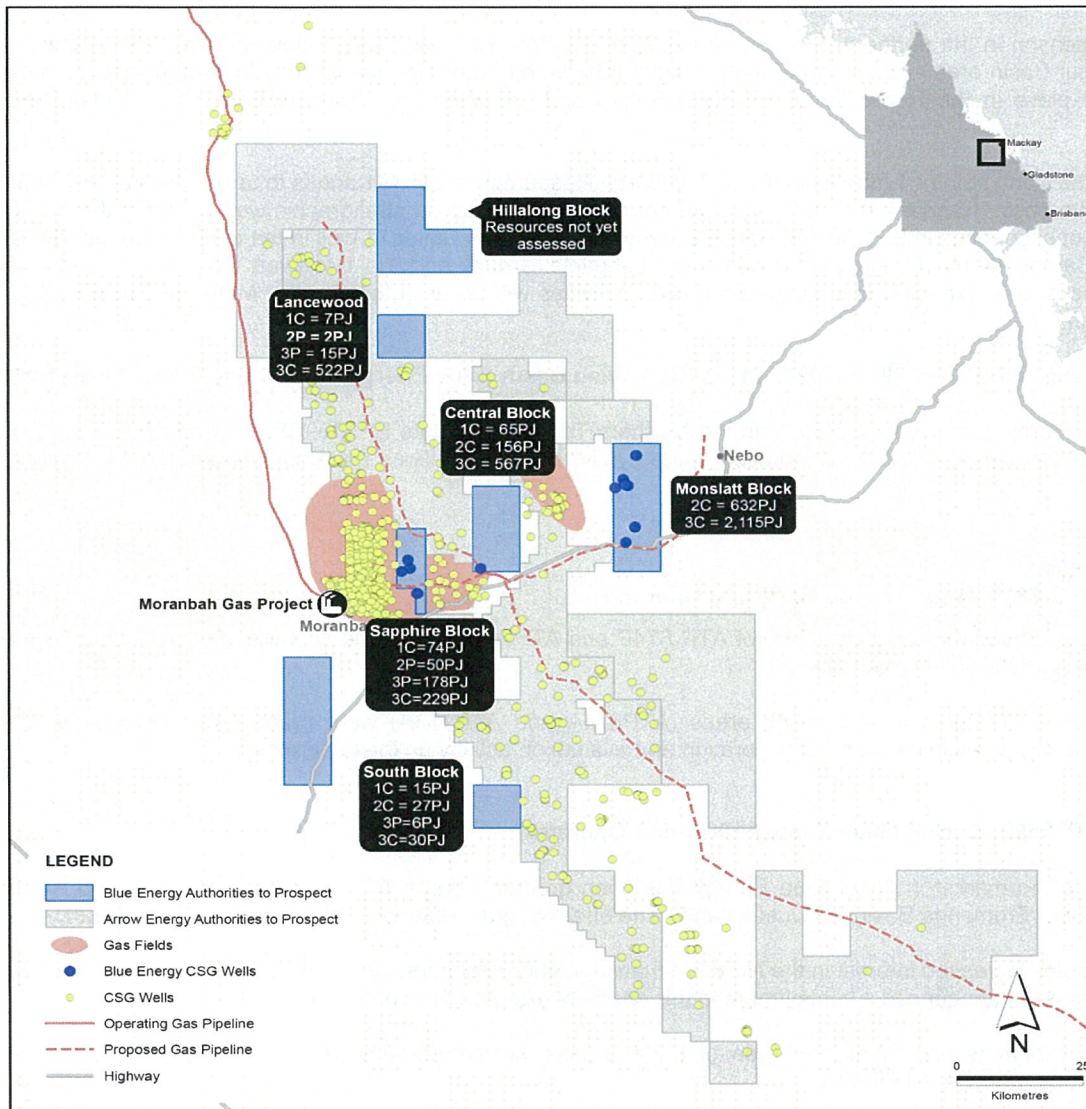


Figure 1. Location of ATP814P relative to the Arrow Energy Moranbah Gas Project area

**Galilee Basin**

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

The Company advised the market in October 2014 that an NSAI upgrade of the Contingent Resource estimate (3C Category) for the Company's 100% owned ATP813P permit increased the 3C by 51% to 830 PJ of recoverable gas. In addition the Queensland Government has granted Blue Energy a two year extension of the current four year work program to be undertaken in the permit.

**Greater McArthur Basin**

**ATP1112A, 1114A, 1117A, 1123A – Southern Georgina Basin Qld (Blue Energy 100% and Operator)**

The blocks secured by Blue Energy cover an area of approximately 5,630,000 acres (22,788km<sup>2</sup>). At this stage, award of the blocks requires both Native Title Agreements to be negotiated and Environmental Authorities to be issued by the Queensland Government. Blue Energy has initiated discussions with the representatives of the Bularnu Waluwarra and Wangkayujuru People with a view to progressing negotiations.

Significant amounts of core have been collected from several of the wells in the adjacent Petrofrontier/Statoil Joint Venture campaign and this is being analysed by the Joint Venture. Reports by Petrofrontier suggest that its independent petrophysical analysis of the acquired data from the OzAlpha 1 and Oz Beta 1 Statoil wells identifies net oil pay in these two wells which are located adjacent to Blue Energy's ATP 1123A application block.

In addition to the Statoil/Petrofrontier activity, the Total/Central Petroleum Joint Venture conducted a two well drilling program in the Southern Georgina Basin. These wells are immediately adjacent to Blue Energy's ATP 1123A application block.

## DIRECTORS' REPORT

For the half-year ended 31 December 2014

The 2014 dry season in the northern parts of the Northern Territory saw spudding of several exploration wells in the Greater McArthur Basin area. The focus of the drilling activity is the potentially massive hydrocarbon resources of the unconventional plays in the Roper Group (Velkerri Shale) and the McArthur Group (Barney Creek Shale and its equivalents).

Santos drilled the Tanumbirini 1 farm in well with Tamboran Resources in EP 161 and is to target the Velkerri Shale in the Beetaloo sub-basin. Pangaea (private company) completed a fully cored stratigraphic well targeting the McArthur Group equivalent sequences in EP 168 and Beach Energy was drilling its Cullen 1 well in the onshore Bonaparte Basin targeting the Carboniferous (Milligans Formation and Langfield Group) and the Devonian (Ningbing and Cockatoo Group) sequences. It is expected that significant drilling activities will occur in the Greater McArthur Basin during the 2015 dry season.

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

The Company is farming in to these permits in the Northern Territory. To date EP205, EP207, and EP200 have been granted and the other permits are at application stage. Native title negotiations have commenced on the application areas.

### **Maryborough Basin**

#### **ATP613P, 674P & 733P (Blue Energy 100% and Operator)**

The Company purchased the remaining 25% of ATP 674P and ATP733P during the financial year from Beach Energy Ltd and now owns 100% of these permits.

In late December 2012 the two application areas (ATP674A and ATP733A) were granted and planning is being undertaken to identify suitable location for exploration and evaluation activity on these permits.

### **Cooper Basin**

#### **ATP 656P, 657P, 658P, & 660P (Blue Energy 100% and Operator)**

As announced to the market in June, Blue Energy has been granted 4 large ATP's on the under-explored Northern Flank of the Cooper/Eromanga Basins in Queensland. The effective grant date for all four permits is 1st July 2014.

The Company notes increased interest in the Northern Flank by other explorers, including Beach Energy and Drillsearch which earlier this week announced a commitment to this sparsely explored area of the Cooper Basin.

The Blue Energy permits encompass an area of 5,200 square kilometres with the Ballera-to-Mt Isa gas pipeline traversing one of the permits, ATP657P.

The Inland Oil field is immediately adjacent to the permit areas, and the Santos-operated Cook and Cuisinier oil fields are on trend and in close proximity to Blue Energy's ATP656P.

Granted Permit	Area Km2	BUL Equity/Operator
ATP656P	694 km2	100% / Blue Energy (Qld) Pty Ltd
ATP657P	1,627 km2	100% / Blue Energy (Qld) Pty Ltd
ATP658P	1,397 km2	100% / Blue Energy (Qld) Pty Ltd
ATP660P	1,482 km2	100% / Blue Energy (Qld) Pty Ltd
	5,200 km2 (1.28 million acres)	

These permits have had no exploration conducted over them since the mid-1990s, when they were part of the areas required to be relinquished by the Santos/Delhi-led Joint Venture.

Since that time, the Cooper Basin 'flank oil play' has developed beyond the original Jackson-Nacowlah trend in Queensland and is now well understood and seen to occur on all margins of the basin. As evidenced by the newly-discovered exploration/production fairway along the western flank in the South Australian part of the Basin.

The Bridgeport operated Inland oilfield (discovered in the mid 1990's) lies immediately north of Blue Energy's ATP 657P and highlights the proven nature of the Northern Margin oil play. The lack of a concerted and sustained exploration effort over the last 20 years has led to this play being severely under exploited. Modern seismic will be key to unlocking the potential of this Northern Basin Margin.

Blue Energy continues to be encouraged by its own internal geological mapping of the permit areas and also by the gas potential being displayed from the results of several other operators in surrounding blocks. Notably the Beach Energy consortium recently announced that several vertical wells drilled to target the Roseneath Shale, Epsilon Formation and Murteree Shale (collectively termed the REM) flowed gas on production test, following multistage stimulations. The encouraging aspect of these results has been the extension (stratigraphically) of the play in the geologically younger

## **DIRECTORS' REPORT**

**For the half-year ended 31 December 2014**

Daralingie Formation, which sits at the youngest part of the Early Permian aged sequence in the Cooper Basin. In addition to this recent result, the previously reported discovery of basin centered gas in REAL Energy's Tamarama 1 and Queenscliff 1 wells has direct relevance to parts of Blue Energy's acreage. Flow testing of REAL Energy's Tamarama 1 well has yielded encouraging initial results with the main interval flowing gas at 0.33 million cubic feet per day.

Despite only being granted the permits on 1st July this year, Blue Energy is nearing completion of its initial Geological and Geophysical data compilation and remapping exercise (i.e. the Year 1 work program) to quantify prospectivity of the blocks. Other Operators are actively acquiring 3D seismic surveys adjacent to the Blue Energy permits, and it is expected that drilling by those Operators in the area will also commence soon.

### **CORPORATE**

#### **Financial Position**

The net assets of the Company have decreased by \$850,000 from 30 June 2014 to 31 December 2014 to \$69,360,000. The decrease has largely resulted from the application of funds to evaluation and exploration expenditure and corporate and administration expenditure.

The Company posted a loss after income tax for the period of \$1,456,000 (31 December 2013: \$1,364,000). Cash expenditure on exploration and evaluation for the period was \$1,183,000 (31 December 2013: \$4,770,000).

#### **Share & Option Issues**

No Employee Incentive Rights or Options have been granted during the period to existing employees or Directors. A total of 25,818,250 Options lapsed during the period.

### **SUBSEQUENT EVENTS**

Subsequent to 31 December 2014, the Company paid the final instalment of \$1,000,000 securing a 100% interest of ATP674P and ATP733P. The completion of this transaction with Australian Unconventional Gas Pty Ltd (a wholly owned subsidiary of Beach Energy Limited) ("Beach") means that Blue Energy now has 100% interest in ATP674P, ATP733P and ATP613P.

There have not been any other matters or circumstances, other than that referred to above and in the financial statements or notes thereto, that has arisen since the end of the half-year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

### **AUDITOR'S DECLARATION**

The auditor's independence declaration under section 307C of the Corporations Act 2001, for the half-year ended 31 December 2014, is set out on page 6.

This report is signed in accordance with a resolution of the Board of Directors.



John Phillips  
Director

Dated this 10<sup>th</sup> day of March 2015  
Brisbane, Queensland



Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com

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

In relation to our review of the financial report of Blue Energy Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Tom du Preez  
Partner  
Brisbane  
10 March 2015



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2014

	Note	31-Dec 2014 \$'000	31-Dec 2013 \$'000
Revenue	2	132	301
Other Revenue	2	-	(1)
<b>Total Revenue</b>		132	300
Operating and administration expenses	3a	(973)	(1,274)
Asset impairment reversal/(expense)	3b	(9)	199
Options expense		(606)	(589)
<b>Loss from continuing operations before income tax</b>		(1,456)	(1,364)
Income tax benefit		-	-
<b>Profit/(Loss) after income tax</b>		(1,456)	(1,364)
Other comprehensive income		-	-
<b>Total comprehensive profit/(loss) for the half-year</b>		(1,456)	(1,364)
 <b>Profit/(Loss) for the half-year attributable to:</b>			
Owners of the parent		(1,456)	(1,364)
Non-controlling interests		-	-
<b>Total profit/(loss) for the half-year</b>		(1,456)	(1,364)
 <b>Total comprehensive profit/(loss) for the half-year attributable to:</b>			
Owners of the parent		(1,456)	(1,364)
Non-controlling interests		-	-
<b>Total comprehensive profit/(loss) for the half-year</b>		(1,456)	(1,364)
 Earnings per share (cents per share):			
- basic		(0.13)	(0.12)
- diluted		(0.13)	(0.12)

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	31-Dec 2014 \$'000	30-Jun 2014 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	6,770	9,018
Trade and other receivables		102	139
Inventories		378	377
<b>Total Current Assets</b>		7,250	9,534
<b>Non-Current Assets</b>			
Property, plant and equipment		41	47
Trade and other receivables		169	169
Exploration and evaluation expenditure	4	64,033	64,278
<b>Total Non-Current Assets</b>		64,243	64,494
<b>TOTAL ASSETS</b>		71,493	74,028
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,348	3,025
Short term provisions		15	-
<b>Total Current Liabilities</b>		1,363	3,025
<b>Non-Current Liabilities</b>			
Long term provisions		770	793
<b>Total Non-Current Liabilities</b>		770	793
<b>TOTAL LIABILITIES</b>		2,133	3,818
<b>NET ASSETS</b>		69,360	70,210
<b>EQUITY</b>			
Issued capital	5	130,530	130,530
Reserves		9,052	8,446
Accumulated losses		(70,222)	(68,766)
<b>TOTAL EQUITY</b>		69,360	70,210

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2014

	Issued Capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total \$'000
<b>Balance at 1 July 2013</b>	130,245	(63,410)	6,650	73,485
<b>Total comprehensive loss</b>				
Profit/(Loss) for the half-year	-	(1,364)	-	(1,364)
Total comprehensive loss for the half-year	-	(1,364)	-	(1,364)
<b>Transaction with owners in their capacity as owners</b>				
Transfer from options reserve to share capital	167	-	(167)	-
Options expense - share-based payments	-	-	589	589
Total transactions with owners	167	-	422	589
<b>Balance at 31 December 2013</b>	130,412	(64,774)	7,072	72,710
<b>Balance at 1 July 2014</b>	130,530	(68,766)	8,446	70,210
<b>Total comprehensive income</b>				
Profit/(Loss) for the half-year	-	(1,456)	-	(1,456)
Total comprehensive loss for the half-year	-	(1,456)	-	(1,456)
<b>Transaction with owners in their capacity as owners</b>				
Transfer from options reserve to share capital	-	-	-	-
Option expense - share-based payments	-	-	606	606
Total transactions with owners	-	-	606	606
<b>Balance at 31 December 2014</b>	130,530	(70,222)	9,052	69,360

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2014

	Note	31-Dec 2014 \$'000	31-Dec 2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts of refunds for GST		32	399
Payments to suppliers and employees		(1,225)	(1,495)
Interest received		144	411
<b>Net cash used in operating activities</b>		<b>(1,049)</b>	<b>(685)</b>
<b>Cash flows from investing activities</b>			
Funds received from Marburg Farm-in Partner		-	2,500
Purchase of property, plant and equipment		(16)	(4)
Funds provided for exploration and evaluation		(1,183)	(4,770)
<b>Net cash used in investing activities</b>		<b>(1,199)</b>	<b>(2,274)</b>
<b>Cash flows from financing activities</b>			
		-	-
Loans provided to controlled entities		-	-
Repayment of convertible notes		-	-
Net decrease in cash and cash equivalents held		(2,248)	(2,959)
Cash and cash equivalents at beginning of half-year		9,018	16,945
Cash and cash equivalents at end of half-year	10	6,770	13,986

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

## NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

### 1. BASIS OF PREPARATION

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards AASB 134: Interim Financial Reporting.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by the Company and its controlled entities, during the half-year, in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The Company and its controlled entities is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts are rounded off to the nearest thousand dollars.

The half-year report does not include full disclosures of the type normally included in annual financial statements.

The half-year consolidated financial report was authorised for issue by the Board of Directors on 10 March 2015.

#### *Reporting Basis and Conventions*

The interim financial report has been prepared on an accruals basis and is based on historical cost 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.

#### *New standards, interpretations and amendments thereof, adopted by Blue Energy*

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the financial report for the financial year ended 30 June 2014, except for the adoption of new standards and interpretations as of 1 July 2014, noted below:

- AASB 1031 *Materiality*
- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Part B: Materiality*
- AASB 2014-1 *Amendments to Australian Accounting Standards*
  - *Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles*
  - *Part C: Materiality*
- Interpretation 21 *Levies*

There was no material impact on the Interim Financial Report as a result of the mandatory new and amended Accounting Standards adopted.

#### *Going concern*

As the Company'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 the Company has sufficient funds to cover its planned activities and any ongoing obligations. Management and the directors are satisfied that the current cash resources and return from cash investments will provide sufficient coverage to fund the proposed work program for at least 12 months after the date of this financial report.

In addition to the close management of cash flows, the Company has significant ability to slow or defer spending on its major activities to ensure that it is able to meet its obligations when they fall due, including deferring expenditure on the exploration program. Future capital raising activities will take place if and when the Board deem that such a raising of funds is appropriate and necessary.

No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

For the reasons disclosed above, the directors believe the company will be able to pay its debts as and when due and therefore that the going concern basis is appropriate.



## NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

### 2. REVENUE

	<b>31-Dec 2014 \$'000</b>	<b>31-Dec 2013 \$'000</b>
<hr/>		
<b>Revenue</b>		
Interest received	132	301
	132	301
<b>Other Revenue</b>		
Net Foreign exchange gain/(loss)	-	(1)
Fuel tax credits	-	-
	-	(1)
Total Revenue	132	300

### 3. PROFIT/(LOSS) FOR THE HALF-YEAR

	<b>31-Dec 2014 \$'000</b>	<b>31-Dec 2013 \$'000</b>
<hr/>		
<b>(a) Operating and administration expenses</b>		
Employee benefit expenses	343	594
Legal fees and settlements	110	86
Consultants fees	13	15
Business development costs	7	-
Depreciation expense	23	34
Travel costs	44	64
Directors' fees	65	65
Accounting and compliance fees	125	175
Occupancy costs	90	120
Insurance costs	36	7
Information systems costs	63	52
Communications costs	19	17
Investor relations costs	10	6
Other	25	39
	973	1,274
<b>(b) Asset impairment (reversal)/expense</b>		
Adjustment to provisions for rehabilitation and inventory write-down	9	(199)
Exploration and evaluation expenditure written off	-	-
	9	(199)

## NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

### 4. EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec 2014 \$'000	30-Jun 2014 \$'000
Exploration and evaluation expenditure acquired and recognised on consolidation	13,648	13,648
Other exploration and evaluation expenditure	76,403	76,624
Restoration asset	762	786
Impairment of exploration and evaluation expenditure asset	(26,780)	(26,780)
Total exploration and evaluation expenditure brought to account	<u>64,033</u>	<u>64,278</u>

### 5. ISSUED CAPITAL

	31 December 2014		30 June 2014	
	Shares	\$'000	Shares	\$'000
<b>Ordinary shares:</b>				
Issued and fully paid	<u>1,140,993,237</u>	<u>130,530</u>	<u>1,140,993,237</u>	<u>130,530</u>
<b>Movements in ordinary shares on issue:</b>				
Opening balance	1,140,993,237	130,530	1,139,447,698	130,245
Income tax expense reported in equity (Capital raising costs)	-	-	-	167
Staff retention rights converted to shares	-	-	1,545,539	118
<b>Closing balance</b>	<u>1,140,993,237</u>	<u>130,530</u>	<u>1,140,993,237</u>	<u>130,530</u>

### 6. SEGMENT INFORMATION

The Company operates in a single operating segment, being the oil and gas exploration industry. The Company's activity is carried out in a single geographical segment, being Australia.

### 7. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities or contingent assets at 31 December 2014, which are not otherwise disclosed in this report.

### 8. SUBSEQUENT EVENTS

Subsequent to 31 December 2014, the Company paid the final instalment of \$1,000,000 securing a 100% interest of ATP674P and ATP733P. The completion of this transaction with Australian Unconventional Gas Pty Ltd (a wholly owned subsidiary of Beach Energy Limited) ("Beach") means that Blue Energy now has 100% interest in ATP674P, ATP733P and ATP613P.

There have not been any other matters or circumstances, other than that referred to above and in the financial statements or notes thereto, that has arisen since the end of the half-year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2014**

### **9. DIVIDEND PAID OR PROVIDED FOR ON ORDINARY SHARES**

There was no dividend paid or provided for at the reporting date (31 December 2013: \$nil).

### **10. CASH AND CASH EQUIVALENTS**

Included in cash and cash equivalents is a balance of \$1,000,000 restricted deposit in favour of Beach Energy Ltd with the corresponding payable included in Trade and other payables. As noted in Note 8, the balance was paid to Beach Energy Ltd subsequent to year end.

## **DIRECTORS' DECLARATION**

The directors of the Company declare that:

- (1) The financial statements and notes, as set out on pages 6 to 14, are in accordance with the Corporations Act 2001;
  - (a) comply with Accounting Standards and
  - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
- (2) In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**John Phillips**  
Director

Dated 10 March 2015

## To the members of Blue Energy Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Blue Energy Limited, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Blue Energy Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.





Building a better  
working world

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Blue Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Tom du Preez  
Partner  
Brisbane  
10 March 2015