

FINANCIAL REPORT For the half-year ended 31 DECEMBER 2015

INTERIM FINANCIAL REPORT For the half-year ended 31 December 2015

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

For the half-year ended 31 December 2015

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 2015.

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) John Phillips Karen Johnson Rodney Cameron Choongho Je Insu Woo (Alternate Director for Mr. Choongho Je) (Appointed 5 April 2012) (Appointed 28 June 2010) (Appointed 30 September 2011) (Appointed 15 November 2011) (Appointed 7 May 2015) (Appointed 18 November 2015)

REVIEW OF OPERATIONS

Reserve and Resource Position

During the period as reported to the market the Company received an independent report upgrading Blue Energy's Bowen Basin 2P and 3P Reserves by 29% and 49% to 71PJ and 298PJ respectively. The 3C Contingent Resource declined by 10% to 3,942PJ.

Table 1

Block	Assessment Date	Announcement Date	Methodology	Certifier	1P (PJ)	1C (PJ)	2P (PJ)	2C (PJ)	3P (PJ)	3C (PJ)
	30/06/2012	19/03/2013	SPE/PRMS	NSAI	0	22	0	47	0	101
	29/10/2014	30/10/2014	SPE/PRMS	NSAI	0	0	0	61	0	830
Sapphire	5/12/2015	8/12/2015	SPE/PRMS	NSAI	0	66	59	108	216	186
Central	5/12/2015	8/12/2015	SPE/PRMS	NSAI	0	50	12	99	75	306
Monslatt	5/12/2015	8/12/2015	SPE/PRMS	NSAI	0	0	0	619	0	2,054
Lancewood	5/12/2015	8/12/2015	SPE/PRMS	NSAI	0	5	0	23	1	435
South	30/06/2013	29/07/2013	SPE/PRMS	NSAI	0	15	0	27	6	30
					0	158	71	984	298	3,942
					0	27	12	168	51	672
	Central Monslatt Lancewood	30/06/2012 29/10/2014 Sapphire 5/12/2015 Central 5/12/2015 Monslatt 5/12/2015 Lancewood 5/12/2015	30/06/2012 19/03/2013 29/10/2014 30/10/2014 Sapphire 5/12/2015 Central 5/12/2015 Monslatt 5/12/2015 Ancewood 5/12/2015	30/06/2012 19/03/2013 SPE/PRMS 29/10/2014 30/10/2014 SPE/PRMS Sapphire 5/12/2015 8/12/2015 SPE/PRMS Central 5/12/2015 8/12/2015 SPE/PRMS Monslatt 5/12/2015 8/12/2015 SPE/PRMS Lancewood 5/12/2015 8/12/2015 SPE/PRMS	30/06/2012 19/03/2013 SPE/PRMS NSAI 29/10/2014 30/10/2014 SPE/PRMS NSAI Sapphire 5/12/2015 8/12/2015 SPE/PRMS NSAI Central 5/12/2015 8/12/2015 SPE/PRMS NSAI Monslatt 5/12/2015 8/12/2015 SPE/PRMS NSAI Lancewood 5/12/2015 8/12/2015 SPE/PRMS NSAI	30/06/2012 19/03/2013 SPE/PRMS NSAI 0 29/10/2014 30/10/2014 SPE/PRMS NSAI 0 Sapphire 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 Central 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 Monslatt 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 Lancewood 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 South 30/06/2013 29/07/2013 SPE/PRMS NSAI 0	30/06/2012 19/03/2013 SPE/PRMS NSAI 0 22 29/10/2014 30/10/2014 SPE/PRMS NSAI 0 0 Sapphire 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 0 Central 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 50 Monslatt 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 0 Lancewood 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 5 South 30/06/2013 29/07/2013 SPE/PRMS NSAI 0 15 Monslatt 5/12/2015 SPE/PRMS NSAI 0 15	30/06/2012 19/03/2013 SPE/PRMS NSAI 0 222 0 29/10/2014 30/10/2014 SPE/PRMS NSAI 0 0 0 0 Sapphire 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 66 59 Central 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 0 0 Monslatt 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 0 0 Lancewood 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 0 0 South 30/06/2013 29/07/2013 SPE/PRMS NSAI 0 15 0 South 30/06/2013 29/07/2013 SPE/PRMS NSAI 0 15 0	30/06/2012 19/03/2013 SPE/PRMS NSAI 0 22 0 47 29/10/2014 30/10/2014 SPE/PRMS NSAI 0 0 0 61 Sapphire 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 66 59 108 Central 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 50 112 99 Monslatt 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 50 12 99 Monslatt 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 0 0 619 Lancewood 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 5 0 23 South 30/06/2013 29/07/2013 SPE/PRMS NSAI 0 15 0 27 Mone Image: Mark Mark Mark Mark Mark Mark Mark Mark	30/06/2012 19/03/2013 SPE/PRMS NSAI 0 22 0 47 0 29/10/2014 30/10/2014 SPE/PRMS NSAI 0 0 0 61 0 Sapphire 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 66 59 108 216 Central 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 50 12 99 75 Monslatt 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 0 0 619 0 Lancewood 5/12/2015 8/12/2015 SPE/PRMS NSAI 0 5 0 23 1 South 30/06/2013 29/07/2013 SPE/PRMS NSAI 0 15 0 27 6 Monslatt 50/12/2015 SPE/PRMS NSAI 0 15 0 27 6

All numbers are net to Blue Energy

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

Following the historic milestone of the first cargos of LNG departing BG's QCLNG Plant on Curtis Island, there has been a rapid increase in gas demand in the Gladstone LNG precinct with all three LNG plants now producing LNG for export from their initial trains. Construction on the remaining production trains is now nearing completion, and with that the full scale of gas demand in Gladstone will become clear in the coming months. These production facilities 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.

As has been predicted over the last several years by various industry participants, gas demand in Eastern Australia has undergone an unprecedented escalation due solely to the emergence of the export LNG market in Gladstone. Contracted annual LNG sales volumes from the 3 Gladstone plants will total approximately 1,300 Pj per annum (once all 6 trains are operational and assuming that nameplate capacity is fully contracted). This annual volume will be required to be supplied each year for the next 20 years, and totals some 26,000 Pj of gas supplied to the global LNG market in that 20 year period.

As a point of comparison, these annual export volumes represent a tripling of gas demand on the east coast and the current daily gas requirement in Gladstone (of approximately 2,660 Tj/day) now is several times the current daily requirement of the State of NSW.

For the half-year ended 31 December 2015

As export gas demand ramps up, and with LNG export proponents securing gas from third parties over a wide geographic area (from the Surat Basin and from the Cooper Basin (GLNG obtaining gas from Santos)), it is apparent that despite the LNG export proponents controlling approximately 85% of the 2P reserves on the East Coast, there is still a requirement for immediate and deliverable molecules for these export facilities. Given the pricing scenarios for the export contracts (i.e. oil linked) the LNG proponents have clear negotiating advantage (in securing additional local gas) over some domestic gas buyers who have yet to accept an internationally price based contracting strategy.

Oil price

The continued global imbalance in oil supply and demand, primarily caused by Saudi Arabia's reluctance to resume its historical role as OPEC's swing producer (hence 'stabilize' world pricing), continues to see world crude prices languish at near decade lows. This is further compounded by the slower than expected contraction of US shale production in response to price, the return of Iran as a substantial OPEC oil producer (and Saudi Arabia's response) and lower than expected growth in China.

The added feature of the current oil market that differentiates this price crash from previous cycles, is the significantly higher levels of physical storage capacity (up to 3 billion barrels globally). This represents approximately one month's global consumption and is having a buffering effect on prices, when traditionally destabilizing events occur (such as Middle Eastern unrest – conflict proximal to the Gulf states).

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, putting the Company in a stronger financial position than many of its competitors in this tough environment for the sector.

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. Blue is actively pursuing commercialisation options for the resources in this Permit.

Bowen Basin

ATP814P (Blue Energy 100% and Operator)

As recently advised to the market (8 December 2015), Blue Energy received a gas reserve and resource upgrade from independent Dallas based reserve certifiers Netherland, Sewell and Associates (NSAI).

The NSAI upgrade for the ATP814P permit has increased Blue Energy's Bowen Basin 2P and 3P Reserves by 29% and 49% to 71PJ and 298PJ respectively. The 3C Contingent Resource declined by 13% to 3,011PJ for ATP814.

Work between Blue Energy and NSAI on further reserve and resource upgrades will continue going forward.

The six separate blocks comprising ATP814P are surrounded by Arrow Energy's existing Moranbah Gas Project (see Figure 1). Blue is actively pursuing commercialisation options for the gas reserves in ATP814P.

DIRECTORS' REPORT For the half-year ended 31 December 2015

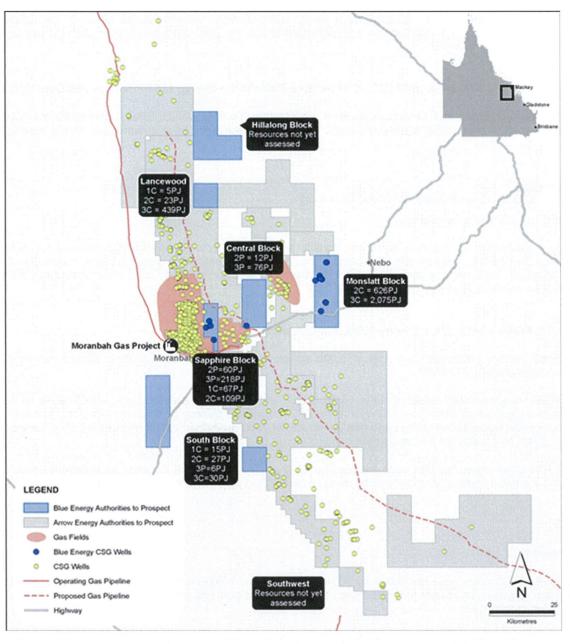


Figure 1. Location of ATP814P relative to the Arrow Energy Moranbah Gas Project area

<u>Galilee Basin</u>

ATP813P – (Blue Energy 100% interest and Operator)

The Company's 100% owned ATP813P permit contains a 3C Contingent Resource base (by NSAI) of 830 PJ of recoverable gas. In addition to the two year extension of the current four year work program granted by the Queensland Government, Blue is currently gauging the potential for gas demand from the developing coal mine infrastructure in the Galillee Basin and is closely following the approvals process of Adani's coal project (together with other such mining projects with potential for gas demand).

Greater McArthur Basin

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

The blocks secured by Blue Energy (as preferred tenderer) cover an area of approximately 5,630,000 acres (22,788km²). 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.

For the half-year ended 31 December 2015

Significant amounts of core and other data have been collected from several of the wells in the adjacent Petrofrontier/Statoil Joint Venture in the Northern Territory together with the Total/Central Petroleum drilling campaign in the Qld sector of the Georgina Basin.

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 area.

Maryborough Basin ATP613P, 674P & 733P (Blue Energy 100% and Operator)

The Company owns 100% of these permits.

The Company is seeking to consolidate these permits into a single project area with the Government for ease of administration for Tenure Management and Environmental Authority Management. It is the Company's view that there is a potential for significant shale gas accumulations in this basin (as also concluded by independent studies by the US Energy Information Administration (EIA)).

Cooper Basin

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

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. These occurrences highlight the fact that this margin of the basin has received hydrocarbon charge and that the structural traps developed in this part of the based have been formed at time that is favourable for the entrapment of migrating oil and gas.

Recent activity by other operators has been focused not only on the Jurassic oil potential (conventional structural targets) but also the basin centred gas play which has been established in the Permian aged stratigraphic interval

CORPORATE

Financial Position

The net assets of the Company have decreased by \$801,000 from 30 June 2015 to 31 December 2015 to \$68,874,000. 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 \$817,000 (31 December 2014: \$1,456,000). Cash expenditure on exploration and evaluation for the period was \$324,000 (31 December 2014: \$1,183,000).

Share & Option Issues

No Employee Incentive Rights or Options have been granted during the period to existing employees or Directors. No options lapsed during the period.

SUBSEQUENT EVENTS

There have not been any matters or circumstances that has arisen since the end of the half-year ended 31 December 2015 up to the date of this report, 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.

For the half-year ended 31 December 2015

AUDITOR'S DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001, for the half-year ended 31 December 2015, is set out on page 6.

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

MPUL

John Phillips Director

Dated this 9th day of March 2016 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/au

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

As lead auditor for the review of Blue Energy Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young

Tom du Preez Partner 9 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the half-year ended 31 December 2015

	Note	31-Dec 2015 \$'000	31-Dec 2014 \$'000
Revenue	2	85	132
Other Revenue	2	14	-
Total Revenue	-	99	132
Operating and administration expenses	3a	(853)	(973)
Asset impairment reversal/(expense)	3b	(47)	(9)
Options expense	_	(16)	(606)
Loss from continuing operations before income tax	_	(817)	(1,456)
Income tax benefit	_	-	-
Profit/(Loss) after income tax	_	(817)	(1,456)
Other comprehensive income	_	-	-
Total comprehensive profit/(loss) for the half-year	_	(817)	(1,456)
Profit/(Loss) for the half-year attributable to: Owners of the parent Non-controlling interests Total profit/(loss) for the half-year	-	(817) - (817)	(1,456) - (1,456)
Total comprehensive profit/(loss) for the half-year attributable to:			
Owners of the parent		(817)	(1,456)
Non-controlling interests	_	-	-
Total comprehensive profit/(loss) for the half-year	-	(817)	(1,456)
Earnings per share (cents per share): - basic		(0.07)	(0.13)
- diluted		(0.07)	(0.13)
		(0.01)	()

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 2015

		31-Dec 2015	30-Jun 2015
	Note	\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	5,615	4,745
Trade and other receivables		88	1,899
Inventories		137	184
Total Current Assets	_	5,840	6,828
Non-Current Assets			
Property, plant and equipment		39	39
Trade and other receivables		169	169
Exploration and evaluation expenditure	4	64,128	63,802
Total Non-Current Assets		64,336	64,010
TOTAL ASSETS	_	70,176	70,838
LIABILITIES			
Current Liabilities			
Trade and other payables		473	409
Short term provisions		81	-
Total Current Liabilities	_	554	409
Non-Current Liabilities			
Long term provisions		748	754
Total Non-Current Liabilities	_	748	754
TOTAL LIABILITIES	_	1,302	1,163
NET ASSETS	-	68,874	69,675
EQUITY			
Issued capital	5	130,631	130,631
Reserves		9,471	9,455
Accumulated losses		(71,228)	(70,411)
TOTAL EQUITY	_	68,874	69,675

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 2015

	Issued Capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total \$'000
Delenes of 4 July 2014	130,530	(68,766)	8,446	70,210
Balance at 1 July 2014	130,330	(00,700)	0,440	70,210
Total comprehensive loss				
Profit/(Loss) for the half-year Total comprehensive loss for the	-	(1,456)	-	(1,456)
half-year	-	(1,456)	-	(1,456)
Transaction with owners in their capacity as owners				
Issue of share capital - capital raising	-	-	-	-
Issue of share capital - excise of options	÷	-		-
Share issue costs	-	-		
Transfer from options reserve to share capital	-	-	-	-
Options expense - share-based payments	-	-	606	606
Total transactions with owners	-	-	606	606
Balance at 31 December 2014	130,530	(70,222)	9,052	69,360
Balance at 1 July 2015	130,631	(70,411)	9,455	69,675
Total comprehensive income				
Profit/(Loss) for the half-year Revaluation of available-for-sale financial	-	(817)		(817)
assets	-			-
Total comprehensive loss for the half-year		(817)		(817)
Transaction with owners in their capacity as owners				
Option expense - share-based payments		-	16	16
Total transactions with owners		-	16	16
Balance at 31 December 2015	130,631	(71,228)	9,471	68,874

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

CONSOLIDATED STATEMEN			WS
For the half-year ended 31 De	ecember : Note	2015 31-Dec 2015 \$'000	31-Dec 2014 \$'000
Cash flows from operating activities			
Receipts of refunds for GST		56	32
Payments to suppliers and employees		(797)	(1,225)
Interest received		83	144
Receipt of R&D Refund		1,837	.
Net cash used in operating activities	_	1,179	(1,049)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(16)
Funds provided for exploration and evaluation		(324)	(1,183)
Proceeds from disposal of property, plant and equipment		15	
Net cash used in investing activities		(309)	(1,199)
Cash flows from financing activities			
Proceeds from share issue		-	-
Capital raising costs			-
Net cash flows provided by financing activities	_	· · · · ·	<u>-</u>
Net decrease in cash and cash equivalents held		870	(2,248)
Effects of exchange rate changes on cash		-	la nyin nyi ye l
Cash and cash equivalents at beginning of half-year	-	4,745	9,018
Cash and cash equivalents at end of half-year	10	5,615	6,770
	and the second se		

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 2015

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 2015 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 8 March 2016.

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

This half-year consolidated financial report has been prepared by adopting accounting policies that are consistent with those adopted in the annual financial statements for the year ended 30 June 2015. New standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2015 have been adopted. The adoption of these standards will not have a material financial effect on the current period or any prior period and is not likely to affect future periods. The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective. The future impacts of the above are being assessed by the Group.

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 2015

2. REVENUE

	31-Dec 2015 \$'000	31-Dec 2014 \$'000
Revenue		
Interest received	85	132
	85	132
Other Revenue		
Gain on sale of inventory	14	-
	14	-
Total Revenue	99	132

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

	31-Dec 2015 \$'000	31-Dec 2014 \$'000
(a) Operating and administration expenses		
Employee benefit expenses	194	303
Superannuation	40	40
Legal fees and settlements	105	110
Consultants fees	5	13
Business development costs	115	7
Depreciation expense	1	23
Travel costs	28	44
Directors' fees	60	65
Accounting and compliance fees	105	125
Occupancy costs	95	90
Insurance costs	23	36
Information systems costs	42	63
Communications costs	13	19
Investor relations costs	7	10
Other	20	25
	853	973

(b) Asset impairment (reversal)/expense

Adjustment to provisions for rehabilitation and inventory write-down

47 9 47 9

NOTES TO THE FINANCIAL STATEMENTS For the half-year ended 31 December 2015

4. EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec 2015 \$'000	30-Jun 2015 \$'000
Exploration and evaluation expenditure acquired and recognised on consolidation	13,648	13,648
Other exploration and evaluation expenditure	76,533	76,201
Restoration asset	739	745
Impairment of exploration and evaluation expenditure asset	(26,792)	(26,792)
Total exploration and evaluation expenditure brought to account	64,128	63,802

5. ISSUED CAPITAL

	31 December 2015		30 June 2	2015
	Shares	\$'000	Shares	\$'000
Ordinary shares:				
Issued and fullypaid	1,140,993,237	130,631	1,140,993,237	130,631
Movements in ordinary shares on issue:				
Opening balance	1,140,993,237	130,631	1,140,993,237	130,530
Income tax expense reported in equity (Capital raising costs) Staff retention rights converted to shares	-	-	-	101
Closing balance	1,140,993,237	130,631	1,140,993,237	130,631

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 2015, which are not otherwise disclosed in this report.

8. SUBSEQUENT EVENTS

There have not been any matters or circumstances that has arisen since the end of the half-year ended 31 December 2015 up to the date of this report, 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 2015

9. DIVIDEND PAID OR PROVIDED FOR ON ORDINARY SHARES

There was no dividend paid or provided for at the reporting date (31 December 2014: \$nil).

10. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are bank guarantees totaling \$505,404 relating to financial assurances for ATPs.

INTERIM FINANCIAL REPORT For the half-year ended 31 December 2015

DIRECTORS' DECLARATION

The directors of the Company declare that:

- (1) The financial statements and notes, as set out on pages 7 to 14, are in accordance with the Corporations Act 2001;
 - (a) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2015 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 9 March 2016



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/au

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 2015, 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 2015 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.



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 2015 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.

inst & Young

Ernst & Young

Tom du Preez Partner Brisbane 9 March 2016