

INTERIM FINANCIAL REPORT
For the half-year ended 31 December 2022

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INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2022

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DIRECTORS' REPORT
For the half-year ended 31 December 2022

The Directors of Blue Energy Limited ("the Company") and its controlled entities ("the Group" or "Blue") submit herewith their report on the consolidated financial statements of the Company for the half-year ended 31 December 2022.

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)
Rodney Cameron (Deputy Chairman)	(Appointed 15 November 2011)
John Phillips	(Appointed 28 June 2010)
Mark Hayward	(Appointed 16 February 2021)

REVIEW OF OPERATIONS

Blue is subject to continuous disclosure rules, and as such, anything materially affecting Blue and its exploration assets in the preceding 6-month period has been disclosed to the market.

Reserve and Resource Position

On 14 July 2022 Blue Energy announced an increase in the reserve and resource estimate for the Sapphire Block (PL 1034 application area) including a 98% increase in 2C resources and a 17% increase in 3P gas reserves. Table 1 presents Blue Energy's gas reserves and resources (net) after the 14 July 2022 resource and reserves upgrade for the Sapphire Block (PL 1034 application area).

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

These reserves remain undeveloped due to local market conditions and limited pipeline infrastructure within the North Bowen Basin region. It is the Group's intention to develop these reserves by facilitating appropriate commercial transactions to enable the provision of appropriate infrastructure. To this end Blue has entered into a nonbinding Heads of Agreement (HoA) to supply 100 PJ of gas over 10 years to EnergyAustralia and a similar agreement for 300 PJ of gas supply over 10 years to Origin Energy with both contract delivery points at Wallumbilla. In addition, Blue has executed a Memorandum of Understanding with Queensland Pacific Metals to supply up to 112 PJ of gas over 15 years to their proposed nickel refinery in Townsville. Blue continues to negotiate with other gas users to build the contracted volume and facilitate development of its North Bowen Basin gas resources. The reserves being ear-marked in this agreement are proximate to existing production but require appropriate infrastructure and commercial arrangements to be put in place for them to be brought to market.

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

The Reserve and Resource inventory presented in Table 1 does not include the results of the Sapphire drilling program that was completed during the half year. Geological data derived from the drilling program will be forwarded to NSAI so that the reserve and resource estimates for the Sapphire Block within ATP 814 can be updated.

Table 1: Reserve and Resource Inventory as at 31 December 2022

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

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***Listing Rule 5.42 Disclosure**

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

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

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

Bowen Basin

ATP814P (Blue 100% and Operator)

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

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

Blue has successfully executed the first of several planned long-term gas supply agreements with major offtakers. Blue and EnergyAustralia have signed a non-binding Heads of Agreement for the supply of 100 PJ of gas over 10 years. In addition, Blue executed a similar non-binding Heads of Agreement with Origin Energy for 300 PJ of gas supply over 10 years. The gas for both of these agreements is to be delivered to the Wallumbilla hub. With respect to the local Townsville market, Blue has executed two non-binding Memorandums of Understanding (MoU) as follows:

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

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

The 3 separate Production Licence Applications (PLA's) lodged previously are still under consideration by the Regulator, whilst 3 Potential Commercial Area Applications have been awarded by the Regulator.

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

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

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

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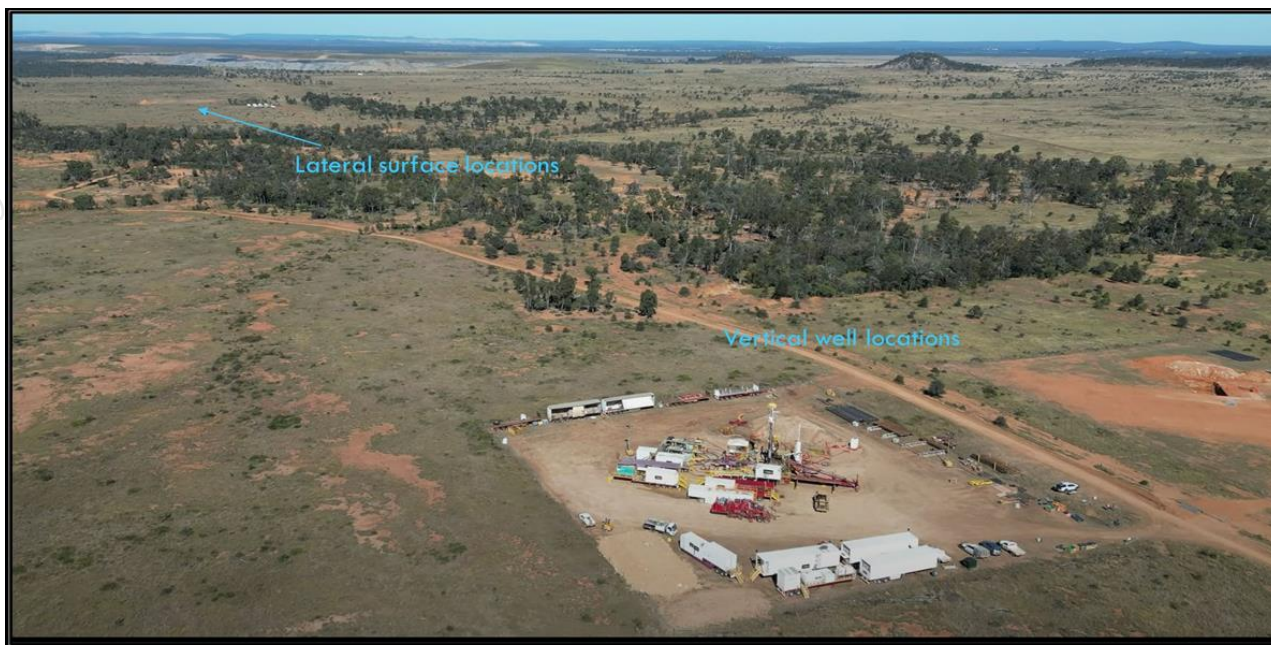


Figure 1 : Layout of Blu's Sapphire 5 vertical well (foreground) and location of the Sapphire 5L pilot wells (with the Isaac Plains Coal Mine) in the distance: ATP 814, North Bowen Basin. Source : Blue Energy.

The lateral wells were drilled with seismic control and the stratigraphy confirmed by the vertical wells drilled at the front end of the program (see Figure 2 below).

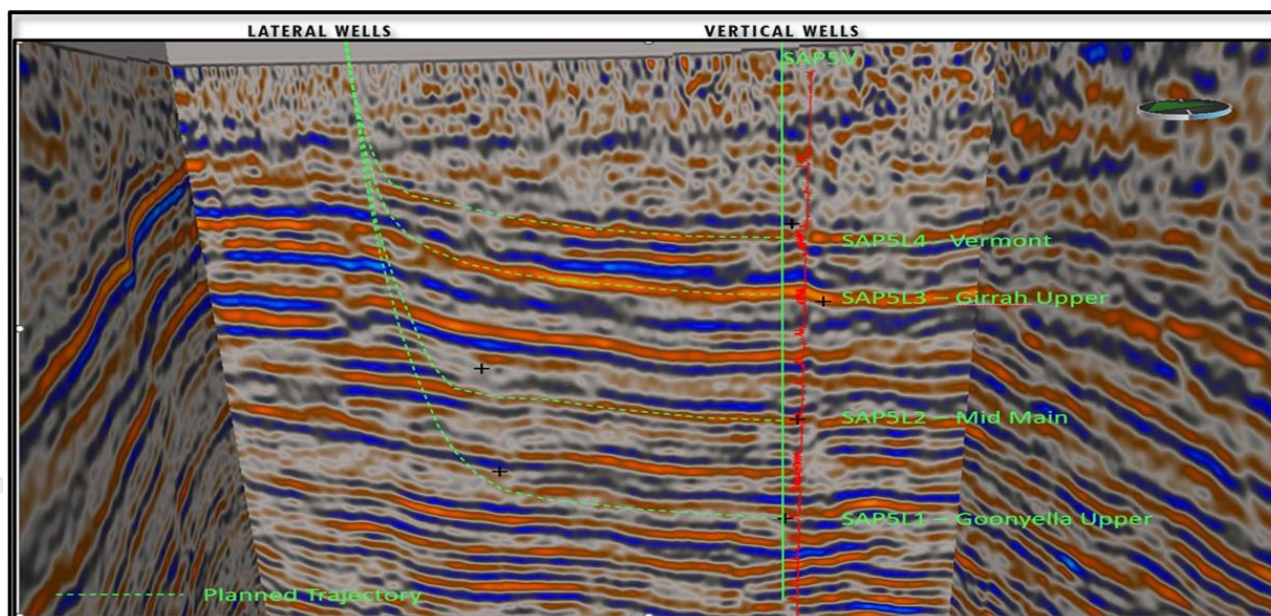


Figure 2 : Seismic section showing geological control used to steer the lateral wells in seam and into the vertical wells. Source: Blue Energy.

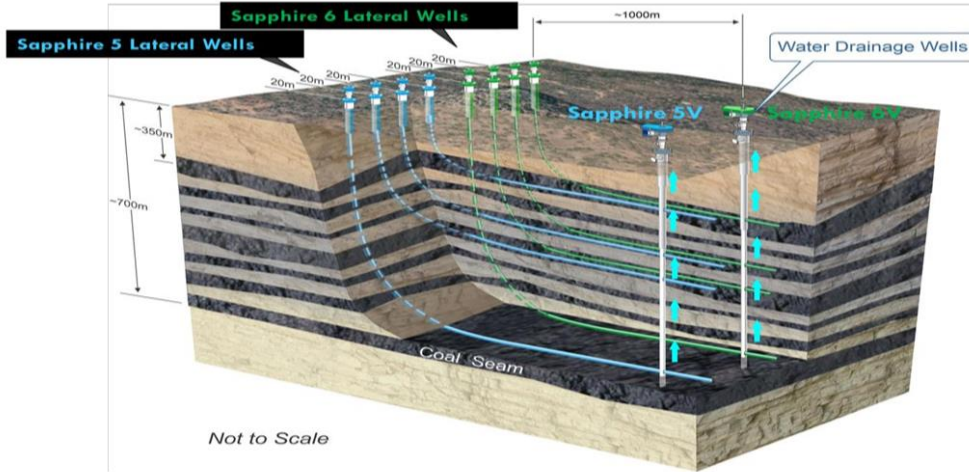
The pilot well sets incorporate up to 4 separate lateral wells each accessing individual coal seams and designed to intersect a single vertical well (see Figures 3 and 4). The vertical well acts as the water producer for the lateral wells, with the lateral wells able to meter and measure the gas flow from each individual coal seam, to allow better allocation of seam specific reserves.

During and subsequent to the half-year, the commissioning process for the Sapphire 5 and 6 wells was complete and production testing was commenced. Early gas was apparent during pilot well commissioning with observed pressure on each of the lateral well heads in both Sapphire 5 and Sapphire 6 Pilot well sets despite only minimal dewatering having been commenced. The Sapphire 5 and 6 vertical wells are pumping to initiate a gradual de-watering process on the separate lateral seams in the Pilot well set which will slowly reduce pressure on the coals in the lateral wells and build gas rates to establish peak sustainable gas flow rates in due course.

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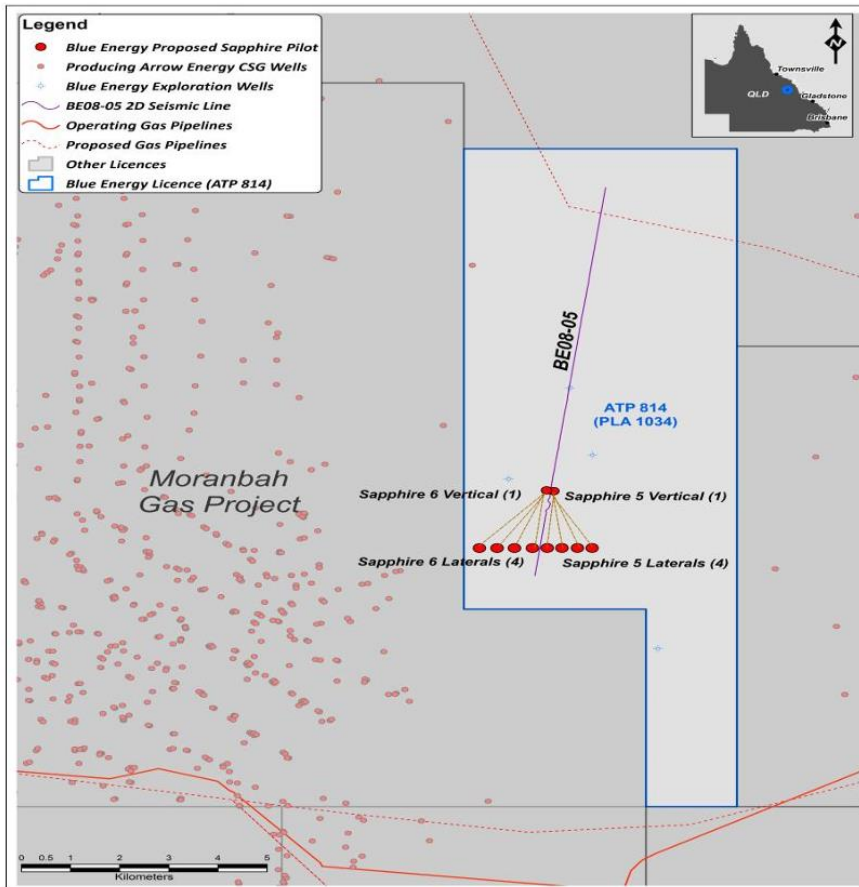
All drilling, completion and surface facility installation activities were completed without a lost time injury.

The forward plan is to continue the dewatering process and establish the maximum gas flow rate for the wells / seams which will yield peak gas rates from which economic models can be refined for optimising development plans. In parallel, geological data derived from the drilling program will be forwarded to NSAI so that the reserve and resource estimates for the Sapphire Block within ATP 814 can be updated.



Source: Blue Energy

Figure 3: Schematic of Sapphire 5 and 6 pilot well configuration



Source: Blue Energy.

Figure 4 : Plan view of Sapphire 5 and 6 pilot well locations

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Surat Basin, Queensland

ATP854P (Blue 100% and Operator)

ATP 854P is located near the heart of the CSG–LNG gas supply precinct. Gas pipeline infrastructure (PPL 30 and PL 118), linking Wallumbilla to Gladstone, runs through the permit. The ATP 854P gas resources thus have clear near-term potential for economic development using this infrastructure. ATP 854P is now a substantial gas resource which can augment Blue's Bowen Basin gas supply agreements with Origin Energy and EnergyAustralia, both in timing and volume.

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

The ATP 854 gas contingent resource thus has clear near-term potential for economic development (see Figure 5). A subsequent geological review (post gas resource upgrade) has identified pilot well drilling locations to accelerate the development in this block, reflecting the enhanced materiality of this asset to Blue.

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

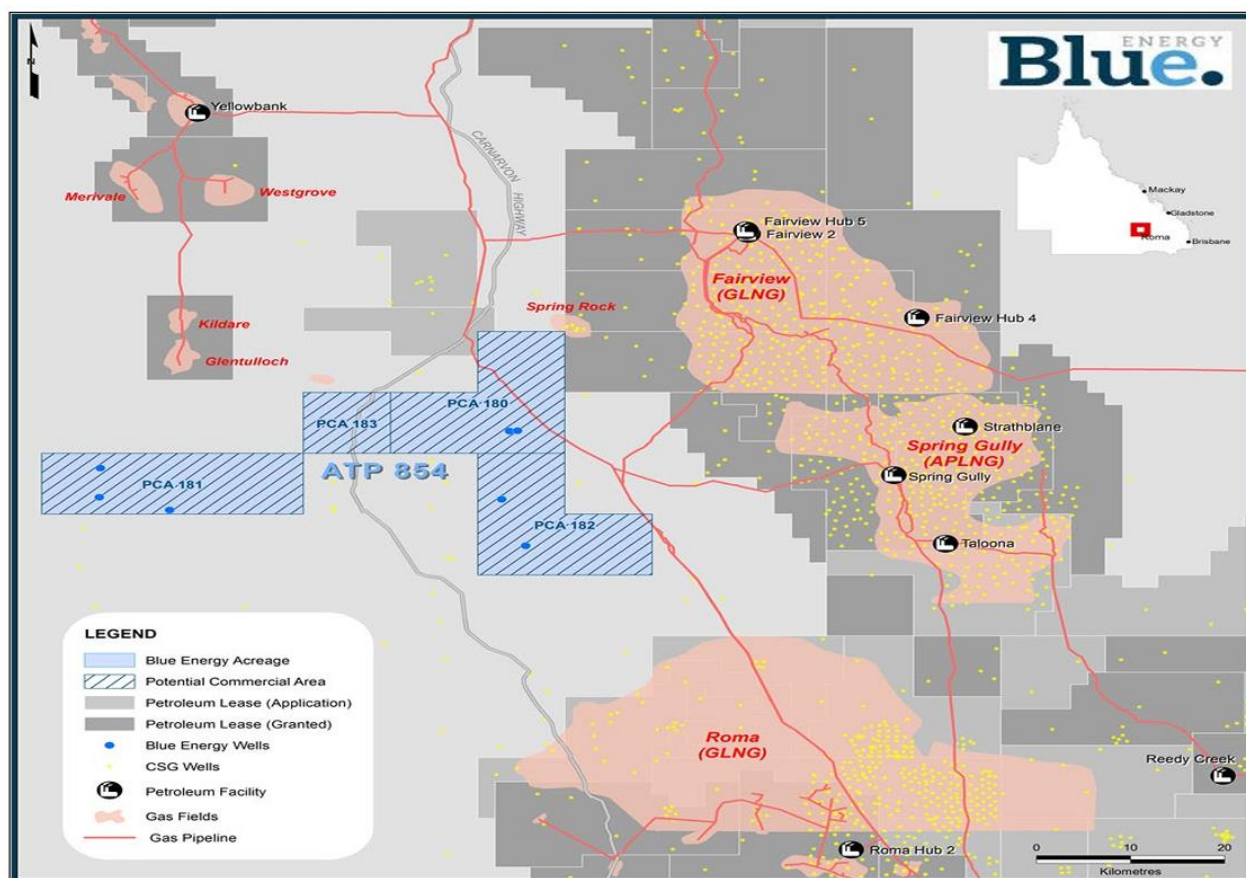


Figure 5 : Location of ATP 854 in relation to existing pipeline infrastructure and major gas fields.
Source : Blue Energy

Galilee Basin

ATP813P Blue (100% and Operator)

ATP813P is located to the north of the Aramac township in central west Queensland.

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

Blue lodged 9 separate Potential Commercial Area Applications in 2017, and as at 31 December 2022, these were still being considered by the Queensland Government for grant.

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Greater McArthur Basin, Northern Territory

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

Blue has progressed the Environmental Management Plan (EMP) for the acquisition of 2D regional seismic in EPs 200, 205 and 207. The EMP incorporates the results of the field work undertaken in March 2022 which looked at the flora, fauna and access points of the seismic line locations. Blue expects to lodge the EMP in the next few weeks, with the timeline of the approval process dictated by the relevant Northern Territory Government department.

Blue continues to consult with the respective Aboriginal Land Councils, Traditional Owners, pastoral landowners, government departments, and other community stakeholders on the seismic program together with the outstanding application areas as part of the process of establishing a community licence. This is as required under the new NT government exploration activity approval process. Blue remains in active discussions with specific landholders to agree on land access for the seismic survey.

Given the delays in formulation of the EMP, and to ensure Blue is compliant with all requirements of the Cultural Heritage Act in the NT, Blue has applied for and been granted a Suspension and Extension of the EP 200, 205 and 207 tenures to reflect these delays, whilst undertaking best endeavours to complete the required Government approval documentation, plus land access negotiations.

The NT Government has granted a 12 month extension and extension of the work program and tenure term through to 15 February 2024.

Cooper Basin

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

During the half-year the transfer of the new permits from Blue to Origin was approved by the Regulator and completion of the transfer occurred with Blue receiving a completion payment of \$175,000 from Origin.

Georgina Basin and Carpentaria Basins Application Areas

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

Blue continues to seek resolution of the long running Native Title negotiations that are required to facilitate grant of Georgina Basin Application. Blue has sought a ruling by the National Native Title Tribunal, in conjunction with the State, on the effect of the grant of some of these permits on the Native Title parties, the result of which will be used by the State to progress these applications. Blue has withdrawn the application for Carpentaria Basin Application Area.

CORPORATE

Financial Position

The net assets of the Group have increased by \$18,435 thousand from 30 June 2022 to 31 December 2022 to \$88,225 thousand. This is due to the \$20,000 thousand (before fees) capital raising completed during the period which was partially offset by budgeted exploration activity over the period and routine corporate and administrative costs.

The Group posted a loss after income tax for the period of \$739 thousand (31 December 2021: \$661 thousand). The increased loss was due a ramping up of operations to support the Sapphire drilling program and \$158 thousand in net foreign exchange losses partially offset by \$175 thousand gain on sale recognised on the completion of the transfer of the Cooper Basin blocks.

Cash expenditure on exploration and evaluation for the period was \$18,427 thousand (31 December 2021: \$1,029 thousand) with the Sapphire drilling and production testing program accounting for the majority of that expenditure.

Funding Arrangements

The Group 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.

Share & Option Issues

During the half year the Company issued 322,580,645 fully paid ordinary shares at a price of \$0.062 per share to raise \$20,000 thousand (before costs).

9,042,667 incentive performance rights were granted during the period under the current Employee Incentive Rights Plan (2021: Nil).

DIRECTORS' REPORT

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SUBSEQUENT EVENTS

Subsequent to 31 December 2022, there has not been any matter or circumstance, other than those referred to above and in the financial statements or notes thereto, that has arisen, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

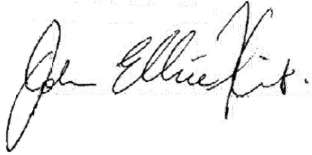
AUDITOR'S DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001, for the half-year ended 31 December 2022, is set out on page 8.

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 are presented in Australian dollars and all values are rounded to the nearest thousand (\$000 or thousand), except when otherwise indicated.

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



John Ellice-Flint
Executive Chairman
Blue Energy Limited

Dated this 14th day of March 2023
Brisbane, Queensland

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

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2022, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*;
and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

Pitcher Partners
PITCHER PARTNERS

J. Evans
JASON EVANS
Partner

Brisbane, Queensland
14 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Financial income	2	70	5
Other income	2	228	-
Total income		298	5
Operating and administration expenses	3	(1,037)	(666)
(Loss) before income tax		(739)	(661)
Income tax benefit		-	-
(Loss) for the half-year attributable to the owners of the parent		(739)	(661)
Other comprehensive income		-	-
Total comprehensive (loss) for the half-year attributable to the owners of the parent		(739)	(661)
Earnings per share (cents per share):			
- basic		(0.04)	(0.05)
- diluted		(0.04)	(0.05)

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 2022

	Note	31 Dec 2022 \$'000	30 June 2022 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	11	6,458	6,855
Trade and other receivables		752	192
Total Current Assets		7,210	7,047
Non-Current Assets			
Property, plant, and equipment		96	43
Right of use assets		49	70
Trade and other receivables		169	169
Exploration and evaluation expenditure	4	84,709	64,850
Total Non-Current Assets		85,023	65,132
TOTAL ASSETS		92,233	72,179
LIABILITIES			
Current Liabilities			
Trade and other payables		2,825	1,376
Lease liability		45	45
Provisions		697	597
Total Current Liabilities		3,567	2,018
Non-Current Liabilities			
Lease liability		6	28
Provisions		435	343
Total Non-Current Liabilities		441	371
TOTAL LIABILITIES		4,008	2,389
NET ASSETS		88,225	69,790
EQUITY			
Issued capital	5	168,687	149,531
Reserves	6	8,852	8,834
Accumulated losses		(89,314)	(88,575)
TOTAL EQUITY		88,225	69,790

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2022

	Issued Capital \$'000	Accumulated losses \$'000	Reserves \$'000	Total \$'000
Balance at 1 July 2021	139,997	(87,080)	8,823	61,740
Total comprehensive loss				
(Loss) for the half-year		(661)		(661)
Total comprehensive loss for the half-year		(661)		(661)
Transaction with owners in their capacity as owners				
Issue of new shares	9,967	-	-	9,967
Capital raising costs	(433)	-	-	(433)
Share-based payments	-	-	-	-
Total transactions with owners	9,534	-	-	9,534
Balance at 31 December 2021	149,531	(87,741)	8,823	70,613
Balance at 1 July 2022	149,531	(88,575)	8,834	69,790
Total comprehensive loss				
(Loss) for the half-year	-	(739)	-	(739)
Total comprehensive loss for the half-year		(739)		(739)
Transaction with owners in their capacity as owners				
Issue of new shares	20,000	-	-	20,000
Capital raising costs	(844)	-	-	(844)
Share-based payments	-	-	18	18
Total transactions with owners	19,156	-	18	19,174
Balance at 31 December 2022	168,687	(89,314)	8,852	88,225

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 2022

	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
Receipts of refunds for GST		1,864	202
Payments to suppliers and employees		(2,994)	(974)
Interest received		58	2
Net cash used in operating activities		(1,072)	(770)
Cash flows from investing activities			
Funds used in exploration and evaluation		(18,427)	(1,029)
Funds used to acquire property, plant, and equipment		(53)	(6)
Net cash used in investing activities		(18,480)	(1,035)
Cash flows from financing activities			
Proceeds from share issue		20,000	9,967
Capital raising costs		(844)	(433)
Net cash flows provided by financing activities		19,156	9,534
Net increase / (decrease) in cash and cash equivalents held		(396)	7,729
Cash and cash equivalents at beginning of half-year		6,854	1,955
Cash and cash equivalents at end of half-year	11	6,458	9,684

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 2022

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 2022 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 are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/91, 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 unless otherwise stated

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

The half-year consolidated financial report was authorised for issue by the Board of Directors on 14 March 2023.

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

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 2022.

Going concern

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

At 31 December 2022, the Group had \$6,458 thousand in cash and cash equivalents, which includes \$408 thousand of restricted cash.

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The Board is satisfied that the Group will successfully meet its minimum expenditure commitment (including through negotiating deferral of minimum expenditure commitments until access and activity approvals are received). Furthermore, it is recognised that the Group's cash and cash equivalents at 31 December 2022 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:

- Managing all tenures, and their respective work programs to ensure all renewals and/or grant of higher tenure types (PLAs and PCAs) are completed; and
- Considering all funding options including capital raising and the establishment of Joint Venture partnerships.

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

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

2. INCOME

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Financial income		
Interest received	70	5
	<u>70</u>	<u>5</u>
Other income		
Gain on sale of exploration tenement	175	-
Fuel tax credits received	53	-
	<u>228</u>	<u>-</u>
Total Income	<u>298</u>	<u>5</u>

3. PROFIT/(LOSS) FOR THE HALF YEAR

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Operating and administration expenses include		
Employee benefit expenses	442	146
Superannuation	100	38
Depreciation and amortisation expense	52	28
Directors' fees	67	65
Net foreign exchange loss	158	2
Share based payments expense	18	-

4. EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2022	30 June 2022
	\$'000	\$'000
Exploration and evaluation expenditure acquired and recognised on consolidation	13,648	13,648
Other exploration and evaluation expenditure	101,112	81,415
Restoration asset	817	655
Impairment and write off of exploration and evaluation expenditure asset	<u>(30,868)</u>	<u>(30,868)</u>
Total exploration and evaluation expenditure brought to account	<u>84,709</u>	<u>64,850</u>

The ultimate recoupment of capitalised exploration and development expenditure is dependent on the successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

5. ISSUED CAPITAL

	31 Dec 2022		30 June 2022	
	Shares	\$'000	Shares	\$'000
Ordinary shares:				
Issued and fully paid	1,850,795,534	168,687	1,528,214,889	149,531
Movements in ordinary shares on issue:				
Opening balance	1,528,214,889	149,531	1,328,882,513	139,997
Issued shares at 6.2c/share (June 2022 5.0C/share)	322,580,645	20,000	199,332,376	9,967
Capital raising costs	-	(844)	-	(433)
Closing balance	1,850,795,534	168,687	1,528,214,889	149,531

6. RESERVES

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

	31 Dec 2022 \$'000	30 June 2022 \$'000
Reserves:		
Options Reserve opening balance	8,834	8,823
Share based payments expenses	18	11
Total Reserves	8,852	8,834

Rights over shares

During the year, the Group granted 9,042,667 incentive rights to executive directors pursuant to the Employee Incentive Rights Plan (2021: Nil). The incentive rights were issued in three tranches which are subject to the following vesting conditions:

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

Input	Tranche A	Tranche B	Tranche C
Number of incentive rights issued	1,695,500	3,956,167	3,391,000
Grant date	15/11/2022	15/11/2022	15/11/2022
Vesting date - share price condition	30/06/2023	30/06/2023	30/06/2023
Vesting date – service condition	30/06/2023	30/06/2024	30/06/2025
Days to expiry / vesting date	227	227	227
Grant date share price	\$0.053	\$0.053	\$0.053
Exercise price	\$0.00	\$0.00	\$0.00
Vesting price (20 day VWAP)	N/a	\$0.12	\$0.20
Adjusted vesting price (Parisien Barrier)	N/a	\$0.15	\$0.25
Volatility	76.30%	76.30%	76.30%
Risk free interest rate	3.19%	3.19%	3.19%
Probability of non-market condition being achieved	75%	100%	100%
Valuation of an individual right	\$0.040	\$0.00761	\$ 0.0012

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

7. SEGMENT INFORMATION

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

8. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities or contingent assets at 31 December 2022, which are not otherwise disclosed in this report.

9. SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to 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 Group, the results of those operations, or the state of affairs of the Group in future financial periods.

10. DIVIDEND PAID OR PROVIDED FOR ON ORDINARY SHARES

There was no dividend paid or provided for at the reporting date (31 December 2021: \$nil).

11. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are deposits secured against bank guarantees totaling \$408 thousand (2021: \$324 thousand) relating to financial assurances for ATPs.

12. FINANCIAL INSTRUMENTS

The financial assets and liabilities consist of trade and other receivables and trade and other payables. The financial assets and liabilities are carried at amortised cost, the carrying value is assumed to approximate their fair value.

13. CONTINGENT ASSET

In the course of the Sapphire pilot drilling campaign the Company incurred expenditure in relation to a portion of the drill string that was lost in hole. The Group has insurance arrangements in place in relation to such losses, and as at 31 December 2022 the insurance assessment and recovery process was ongoing. The Group estimates that the potential insurance recovery is up to USD680,000. The contingent asset being the potential insurance recovery has not been recognised as a receivable as at 31 December 2022 as the amounts cannot be estimated with virtual certainty and are dependent on the insurance assessment and recovery process.

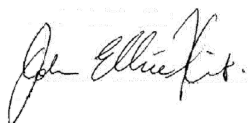
DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

The directors of the Company declare that:

- (1) The financial statements and notes, as set out on pages 9 to 16, 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 2022 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 Ellice-Flint
Director

Dated 14 March 2023

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Blue Energy Limited, the "Company", and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of Blue Energy Limited's financial position as at 31 December 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 annual 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 review report.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial report, which describes events and/or conditions which indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect to this matter.

Responsibility of the Directors for the 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

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.

Pitcher Partners

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
14 March 2023