

31 July 2024

QUARTERLY ACTIVITIES REPORT to 30 June 2024

Blue Energy Limited (ASX: BLU, ‘Blue Energy’, ‘Blue’ or ‘the Company’) is pleased to report on activities during the quarter ended 30 June 2024 across its acreage in Queensland and the Northern Territory, in which the Company’s key gas and oil projects are located.

KEY HIGHLIGHTS

- **Sapphire Pilot Status:** The Sapphire 5 and 6 lateral pilot wells continue to be production tested with the aggregate gas flow rate for the Sapphire pilot showing an increasing trend to 0.140 TJ/day. The lower most coal seams remain below the current water level in the vertical wells and so still require dewatering.
- A Native Title Agreement has been executed with the Traditional Owners of the Sapphire Block (PL (A) 1034) area of ATP 814.
- An independent review of the Sapphire Pilot well drilling program has identified potential formation damage from a component of the drilling fluid used in the Pilot well drilling.
- Blue has independently processed the raw Geoscience Australia (GA) regional 2D seismic data shot over Blue’s EP 200, and 207 in the Wiso Basin area of the Northern Territory (the Greater McArthur Basin).
- Blue has appointed expert witnesses for the Land Court Appeal process lodged by Environmental Advocacy in Central Queensland Inc (EACQ) against the Queensland Department of Environment Science and Innovation.

Sapphire pilot well production test program continues and Independent review of pilot drilling program.

The Sapphire 5 and 6 Pilot wells continue to be production tested with the aggregate gas flow rate from the Sapphire pilot currently running at 0.140 Tj/day. The lower most coal seams are still undergoing depressuring/dewatering (the water level in the pilots is still above the lowest most coals).

An independent review was initiated to investigate the potential causes of the sub-optimal gas rates achieved so far at the Sapphire 5/6 Pilot location and to formulate options to best optimize the gas flow rate in the area of the Sapphire Block. The review of the Sapphire Pilot lateral well drilling operations has identified a component of the drilling fluid program that appears to have damaged the coal interface during the drilling process and which, in turn, has impeded the ability of the gas saturated coals to flow at the expected optimal rate.

Blue has completed the processing Geoscience Australia regional 2D seismic data in the Wiso Basin area of the Northern Territory and within Blue’s tenement areas.

Blue has now completed the processing of the raw 2D regional seismic data which was recently acquired by Geoscience Australia (GA) in the Wiso Basin (overlays the Birrindudu Basin), and which overlaps Blue Energy’s tenements in several locations (specifically EP 200 and EP 207). This seismic

acquisition program is part of a national “Exploring for the Future” seismic acquisition program funded by the Federal Government. This data represents the first seismic data to be acquired in this part of the Northern Territory and is designed to tie the areas of the Beetaloo Basin with the greenfield areas in the west and southwest of the Northern Territory. The initial inspection of the processed data confirms the presence of continuous seismic reflectors from the Beetaloo Basin sequences into the Birrindudu Basin (and Blue’s acreage). This is indicative of the potential continuous sedimentary section between these two geographic areas.

Environmental Authority ATP 814

As referenced in the December 2023 Quarterly, Blue continues to execute its defence of the Land Court Appeal against the grant of the Environmental Authority (EA) by the Queensland Department of Environment and Science (DES) for its proposed Production Licence Application (PL 1034) in ATP 814.

The current status of the case is that expert witnesses have been nominated and a Court Managed Expert Evidence (CMEE) process is currently being developed. This process will address the expert witness testimony being provided by the Appellant and Respondents for the areas at issue in the Appeal.

Background of the Appeal: Following the grant of the EA by DES, the Environmental Advocacy in Central Queensland Inc (EACQI) lodged an appeal in the Qld Land Court regarding the decision by the Queensland Government (DES) to award the EA to Blue Energy. The Environmental Defenders Office (EDO) is acting on behalf of the EACQI in the Appeal proceedings. The EDO receives part funding for its activities from the Queensland Government.

Notwithstanding that proper process and decision making was undertaken by DES and that extensive supporting materials that Blue submitted for that process were sufficient to grant a standard condition EA, Blue has been joined as a party to the appeal by the EACQI as Blue is an interested party being the beneficiary of the EA granted to it.

ACTIVITY IN PROVEN BASINS

Bowen Basin, Queensland: ATP 814 (Blue Energy 100% and Operator)

Pilot production testing of the Sapphire 5 and 6 wells continued during the quarter. The aggregate gas and water rates can be seen in Figure 2.

An independent review was initiated to investigate the potential causes of the sub-optimal gas rates achieved so far at the Sapphire 5/6 Pilot location and to formulate options to best optimize the gas flow rate in the area of the Sapphire Block. (see ASX release dated 24 July 2024)

The review of the Sapphire Pilot lateral well drilling operations has identified a component of the drilling fluid program that appears to have damaged the coal interface during the drilling process and which, in turn, has impeded the ability of the gas saturated coals to flow at their optimal rate.

A viscosifier (often used as an additive to drilling fluid to assist in hole cleaning at certain times in the drilling process) was used as a hi viscosity sweep component as an initial response to the stuck in hole issues experienced on Sapphire 5L2. This additive has been shown to have in some instances a deleterious effect on the gas productivity in Permian aged coals in other locations in

the Bowen Basin, and the impact of this additive at Sapphire (and in the volumes estimated by the review) and its prolonged use, was not identified at the time of drilling.

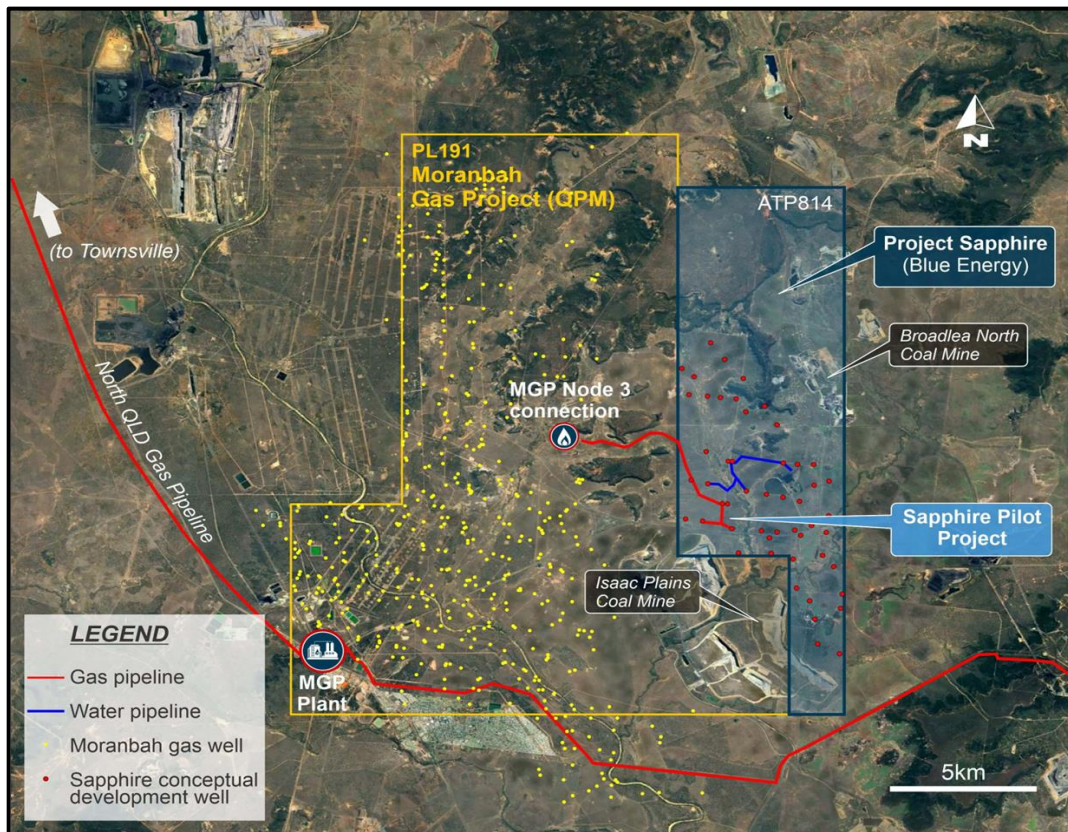


Figure 1: Sapphire block of ATP 814 in relation to the Moranbah Gas Project and the related gas producing wells. Also shown is the proposed pipeline connection from Sapphire to the MGP Node 3 connection and initial proposed Sapphire development.

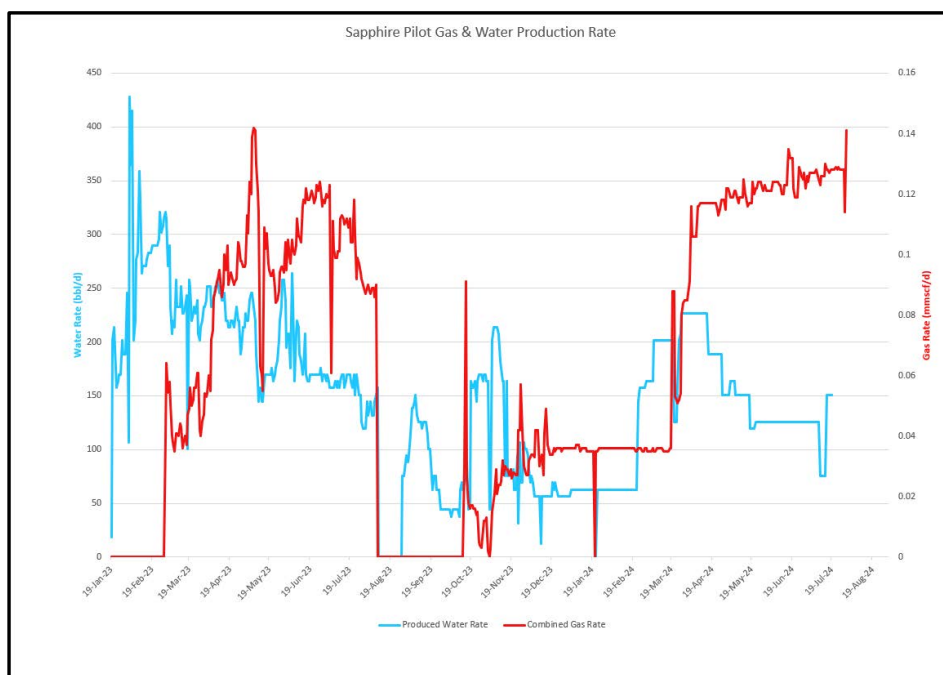


Figure 2: Sapphire Pilot production aggregate rates for gas and water.

Assessment of the recommendations of the independent review is currently being undertaken by the Board and Management, with one of the recommendations contemplated being a low-cost re-drill (twinning) of one of the existing lateral wells to target a single coal seam but with a dedicated specific drilling fluid program with no additives.

The Sapphire Pilot is situated within the PL 1034 production licence application area, which is located immediately adjacent to the Moranbah Gas Project (MGP) – See Figure 1. The MGP is a producing gas field which was recently acquired by Queensland Pacific Minerals Energy (QPME).

Blue Energy has an existing non-binding MoU to supply gas to the proposed QPM (parent entity to QPME) Nickel refinery in Townsville. With the acquisition of the MGP by QPME, there is alignment between QPME and Blue Energy for the Company to utilise MGP infrastructure to fulfil the supply agreement to the proposed QPM Townsville plant.

Reflecting this alignment, Blue and QPME executed a non-binding MoU to supply pilot gas to the MGP from the Sapphire Pilot via a proposed pipeline from Sapphire Pilot location to the Node 3 compressor station within the Moranbah Gas field (Figures 1).

As earlier advised Blue was granted a Site-Specific Environmental Authority (EA) for the PL 1034 application by the Queensland Department of Environment, Science and Innovation (DESI) after submitting the appropriate environmental investigative studies required. The EA covers the proposed development of the PL 1034 gas resource and is a requirement for grant of the Production Licence, by the State.

As previously reported to the market and as described in the section above, an appeal of the decision by DESI to grant the EA was lodged against DESI in the Land Court by the Environmental Advocacy in Central Queensland Inc (EACQI). The EACQI is being represented by the EDO in the Appeal. The Appeal is lodged against the Queensland State Government as the First Respondent with Blue Energy and its subsidiary Eureka Petroleum Pty Ltd, named as the Second and Third Respondents.

During the quarter Blue also successfully concluded negotiation of a Native Title Agreement with the Traditional Owners in the Sapphire Block area, the Barada Barna People. This execution of this agreement is a requisite step in the State of Queensland (specifically the Minister for Resources) being able to award the Petroleum Lease (PL 1034).

Surat Basin, Queensland: ATP 854 (Blue Energy 100% and Operator)

As noted in previous Quarterly reports Blue has lodged PCA applications over this permit area to allow this tenure to progress toward assessing and developing the potential economic gas resources identified by Blue's exploration drilling work in the permit to date. Blue continues to work with the Queensland Government to secure grant of these PCAs.

Blue has 398 PJ+ of Contingent Resources (recoverable gas) in ATP 854 as assessed by NSAI. The gas resource is located near the heart of the CSG–LNG Surat Basin gas supply precinct and has gas pipeline infrastructure linking Wallumbilla to Gladstone running directly through the permit (Figure 3 below).

⁺ see Listing Rule 5.42 Disclosure at page 9.

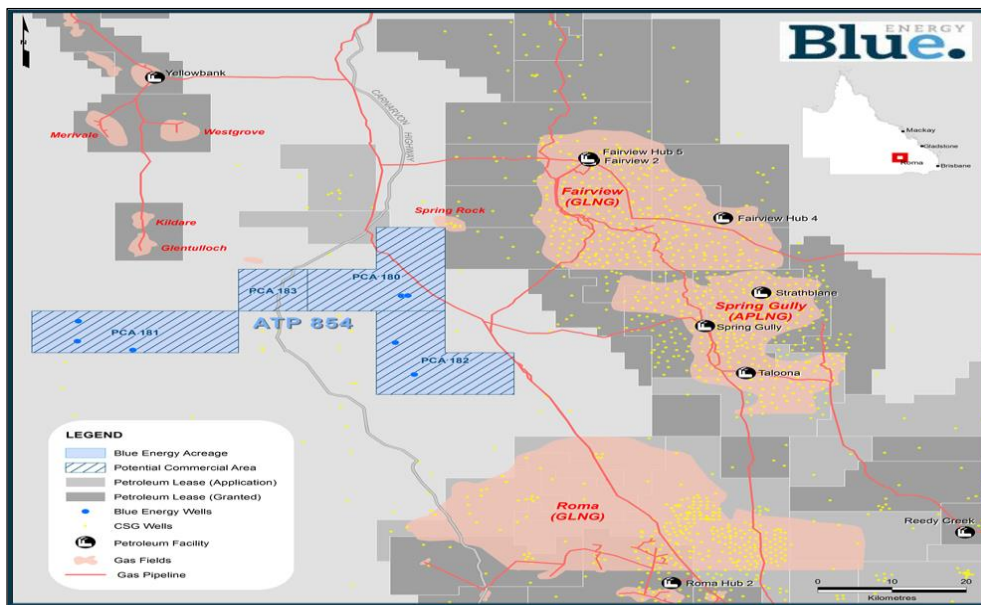


Figure 3: Location of ATP 854 in relation to existing pipeline infrastructure and major gas fields. Source: Blue Energy.

ACTIVITY IN EMERGING BASINS

Greater McArthur Basin, Northern Territory:

(Various permits and equity levels, Blue Energy Operator: see Figure 5)

As advised in the March 2024 quarterly report, Geoscience Australia (GA) has independently acquired deep 2D regional scale seismic data in Wiso Basin (Birrindudu Basin). A good portion of this seismic data overlaps Blue Energy's tenements (specifically EP 200 and 207). This seismic acquisition program is part of a national "Exploring for the Future" acquisition program.

The data was acquired by GA in September 2023 and Blue has viewed the preliminary processed product from the full seismic data (down to 26 seconds). Blue obtained this raw data and has now processed this data to specifically evaluate the potential prospectivity of the shallower Proterozoic section of interest in EP 200 and EP 207. Evaluation of this new data by Blue has just commenced.

The preliminary Post Stack Time Migrated data was presented by GA at the AGES geological workshop in Alice Springs in April 2024. The initial assessment of the data, as relevant to Blue's acreage in the Wiso Basin is that the GA data confirms the continuation of the stratigraphic seismic character evident in EP's 168 and 198 to the north and north east of Blue's acreage which is contiguous with elements of Beetaloo sub-basin and McArthur Basin (see Figures 4 & 5). This is encouraging for the prospectivity of Blues acreage in the Wiso/Birrindudu and Greater McArthur Basins. Other work conducted by GA as part of the regional assessment include correlation of recorded oil shows in mineral bores recorded in the Birrindudu (Wiso/Greater McArthur) Basin.

Blue has been advised by the Department of Environment, Parks and Water Security that it has approved the Environmental Management Plan (EMP) for the acquisition of 2D regional seismic in EPs 205, 207. The EMP incorporated the results of the on-ground survey work undertaken by Blue Energy in 2022 which looked at the flora and fauna aspects of the survey line locations and access points of the proposed seismic line locations.

Blue has also been granted a Suspension and Extension of the EP 200, 205 and 207 tenures and their work associated programs to reflect the delays in the EMP approval process for the 2D seismic acquisition proposed for these tenures. These extensions will be valid until February 2025.

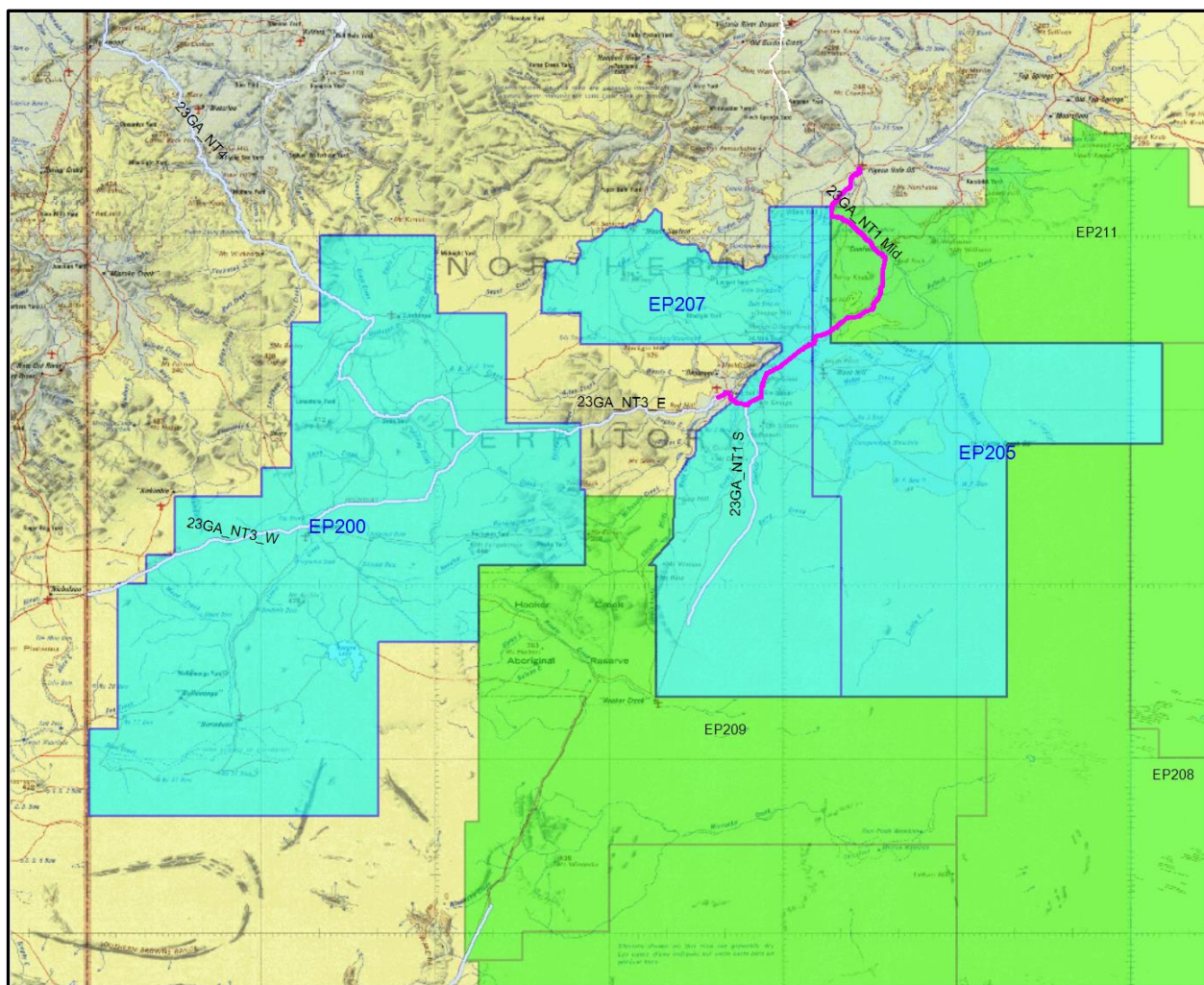
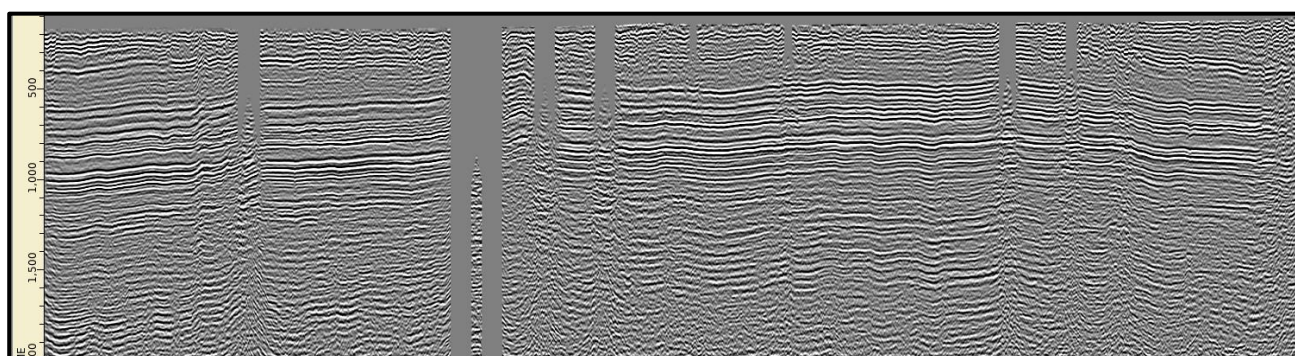


Figure 4 – Location of processed Geoscience Australia Seismic line, part of the “Exploring for the Future” national program (Source: Geoscience Australia)



South

North

Figure 5: uninterpreted Blue processed Line 23GA NT1-B showing continuous (presumed) Proterozoic aged sedimentary reflectors down to 1.2 seconds TWT from the north to south through EP 205 and 207 and Blue’s application area EP 211. Source: Blue Energy.

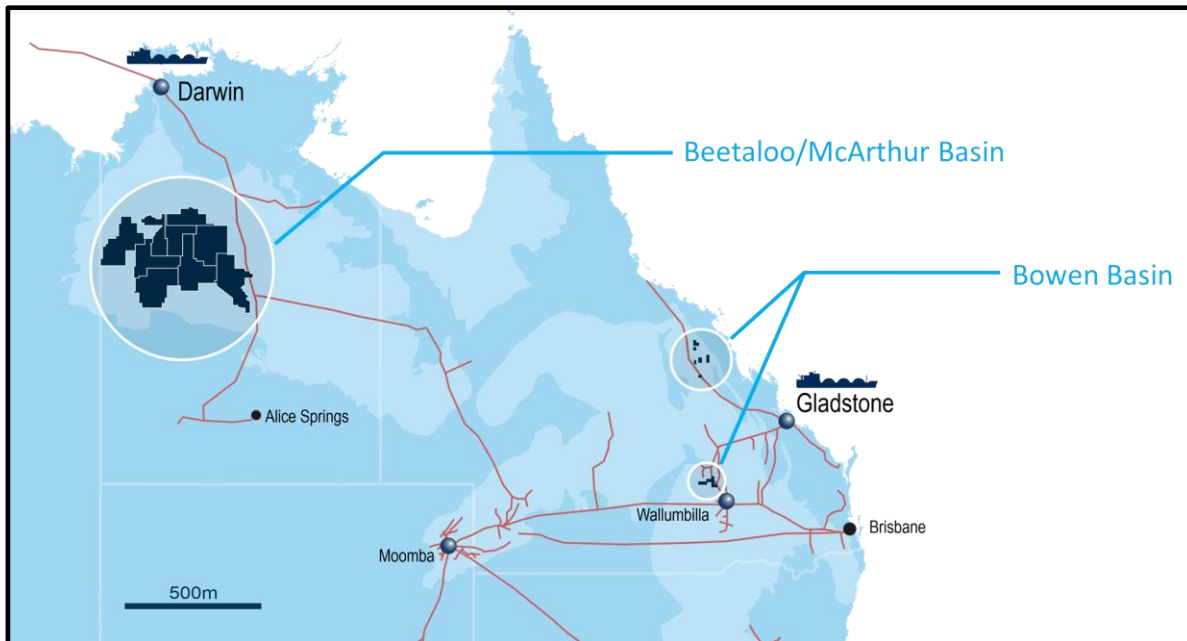


Figure 6: The Blue Energy exploration asset portfolio Source: Blue Energy.

June Quarter Exploration Expenditure Summary

During the Quarter, and as noted in Section 2.1 (d) of the Appendix 5B Form (appended to this Quarterly Activity report), the company expended \$0.696 million on exploration and evaluation activities.

This total is comprised of general exploration expenditure (Tenement access, Tenure administration and Tenure management) together with Sapphire Pilot well activities (equipment hire, fuel, consumables, labour hire), resource assessment costs, legal defence costs plus labour and overhead costs charged to the Sapphire Project

CORPORATE

Cash position

Cash on hand (at 31 March 2024) was A\$4.431 million. The Company has zero debt position.

Blue's accompanying Appendix 5B (Quarterly Cashflow Report) includes an amount in Item 6.1 which constitutes Non-executive Directors' fees for the quarter. The aggregate amount of payments to related parties and their associates for the June quarter (shown in Items 6.1 and 6.2 of the attached Quarterly Cashflow Report) relates to cash fees paid to all Directors (including salaries paid to the Executive Chairman and Managing Director).

Permit	Block	Date	Method	Certifier	1P (PJ)	1C (PJ)	2P (PJ)	2C (PJ)	3P (PJ)	3C (PJ)
ATP854P		25/01/2022	SPE/PRMS Det	NSAI	-	90	-	194	-	398
ATP814P	Sapphire	9/10/2023	SPE/PRMS Det	NSAI	-	171.2	90.7	251.7	287.0	256.0
ATP814P	Central	31/07/2023	SPE/PRMS Det	NSAI	-	39		111		469
ATP814P	Monslatt	8/12/2015	SPE/PRMS Det	NSAI	-	-	-	619	-	2,054
ATP814P	Lancewood	31/07/2023	SPE/PRMS Det	NSAI	-	203	-	232		573
ATP814P	Hillalong	27/02/2020	SPE/PRMS Det	NSAI	-	-	-	182	-	237
ATP814P	South	29/07/2013	SPE/PRMS Det	NSAI	-	15	-	27	6	30
Total (PJ)					-	518	91	1,617	293	4,017

Table 1 Blue Energy gas reserves and resources (net) as at 31 March 2043*

*Listing Rule 5.42 Disclosure

The estimates of Reserves and Contingent Resources noted throughout this Quarterly Activities Report have been provided by Mr John Hattner of Netherland, Sewell and Associates Inc (NSAI) and were originally reported in the Company's market announcements of 25 January 2012, 26 February 2013, 19 March 2013, 8 December 2015, 28 February 2019, 22 January 2022, 14 July 2022, 11 July 2023 and 11 October 2023. NSAI independently regularly reviews the Company's Reserves and Contingent Resources.

Mr Hattner is a full-time employee of NSAI, has over 30 years of industry experience and 20 years of experience in reserve estimation, is a licensed geologist and a member of the Society of Petroleum Engineers (SPE), and has consented to the use of the information presented herein. The estimates in the reports by Mr Hattner have been prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum and Resource Management System (PRMS) approved by the SPE, utilising a deterministic methodology.

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

** Listing Rule 5.28.2: 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.

Table 2: Queensland petroleum tenements

Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter
ATP814	Bowen Basin (Qld)	100%	100%
ATP854	Surat Basin (Qld)	100%	100%

Table 3: Northern Territory tenements

*Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter	Comment
EP199A*	Wiso Basin (NT)	10%	10%	See Note 1
EP200*	Wiso Basin (NT)	10%	10%	See Note 1
EP205*	Wiso Basin (NT)	10%	10%	See Note 1
EP206A*	Wiso Basin (NT)	10%	10%	See Note 1
EP207*	Wiso Basin (NT)	10%	10%	See Note 1
EP208A*	Wiso Basin (NT)	10%	10%	See Note 1
EP209A*	Wiso Basin (NT)	10%	10%	See Note 1
EP210A*	Wiso Basin (NT)	10%	10%	See Note 1
EP211A*	Wiso Basin (NT)	10%	10%	See Note 1

*Exploration blocks where Blue is Operator and farming into.

Note 1: Subject to Farm-in Agreement which, upon completion of the seismic work program, will result in Blue becoming a 50% equity participant.

Released by Authority of the Board per:

John Phillips
Managing Director
Blue Energy Limited

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Blue Energy Limited

ABN

14 054 800 378

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	(10)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(137)	(622)
	(e) administration and corporate costs	(148)	(1,049)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	71	108
1.5	Interest and other costs of finance paid	-	(67)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	7,274
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(214)	5,634

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(696)	(3,625)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(696)	(3,625)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	2,012
3.6	Repayment of borrowings	(45)	(1,990)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(45)	22

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,386	2,400
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(214)	5,634
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(696)	(3,625)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(45)	22

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,431	4,431

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,362	4,911
5.2	Call deposits	1,069	475
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,431	5,386

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	71
6.2	Aggregate amount of payments to related parties and their associates included in item 2	47
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	34	34
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	34	34
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. Loan facilities represent a \$0.1 million unsecured working capital loan with an interest rate of 3.95% per annum and a final repayment date of 29 August 2024.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9) – excluding government grants and tax incentives received at Item 1.7.	(214)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(696)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(910)
8.4	Cash and cash equivalents at quarter end (item 4.6)	4,431
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	4,431
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.87
	<i>Note: if the entity has reported positive relevant outgoings (i.e., a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/a	
	8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/a	
	8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/a	
	<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2024

Authorised by: **The Board of Blue Energy Limited**
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.