

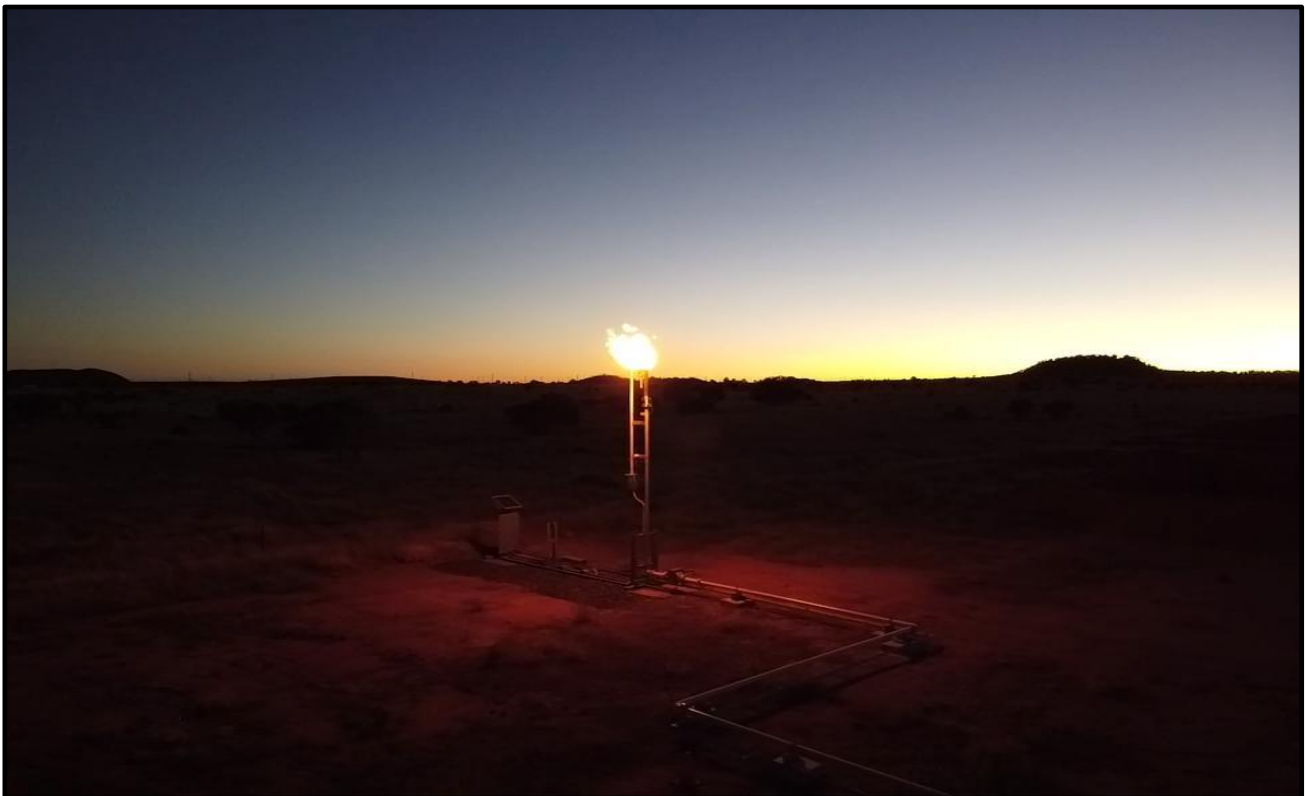
28 April 2023

## QUARTERLY ACTIVITIES REPORT to 31 March 2023

**Blue Energy Limited** (ASX: BLU, ‘Blue Energy’, ‘Blue’ or ‘the Company’) is pleased to report on activities during the quarter ended 31 March 2023 across its exploration acreage in Queensland and the Northern Territory, in which the Company’s key gas and oil projects are located.

### KEY HIGHLIGHTS

- Sapphire pilot flowing continuous gas at 100,000 standard cubic feet per day (scfd).
- Sapphire Pilot water rate is approximately 200-250 barrels per day of water.
- Sapphire water quality remains within specification for use by stock and for domestic use.
- Gas quality data continues to record high methane content (97%) and low CO<sub>2</sub> content (1%).
- Sale of Moranbah Gas Project by Arrow Energy and AGL to Queensland Pacific Metals creates positive alignment for Blue to negotiate access to the infrastructure and for a more efficient and cost effective supply of gas to domestic market and in particular QPM ‘s proposed Nickel refinery in Townsville (existing MoU for gas supply).
- Federal Government reveals extension of \$12/Gj price cap extension and draft “Code of Conduct” for the gas industry. which includes exemptions for small companies who have domestic only gas projects, like Blue Energy’s Sapphire development is focussed on.
- Phase 2 of the Government funded, KPMG authored, Bowen Basin pipeline study is completed and with the Qld Government for public release.



*Figure 1: Sapphire 6 flare stack showing now continuous gas production on a windy night.*

## **Federal Government Gas Market intervention**

There has been much recent press regarding the status of the Federal Government’s price cap and code of conduct mechanisms first touted in December last year. Federal Energy Minister Chris Bowen released (26th April 2023) a consultation draft of the Mandatory Code of Conduct for the gas sector. Responses on the draft are due for submission by the 12 May 2023. In essence, the key elements of the draft code are that:

1. A price cap, which is to be set at \$12/GJ and subject to a review commencing by 1 July 2025;
2. A process for qualifying for exemptions from the price cap on the basis of making satisfactory ACCC and court enforceable supply commitments; and
3. Small producers of gas will qualify for be automatic exemption from the price cap if they supply only to the domestic market and in volumes less than 100 PJ per annum.

Blue is encouraged by the proposed exemption of small domestic gas producers from the price cap contained in the draft consultation code of conduct documentation but will assess it carefully and respond accordingly. On its face, it appears that Blue’s Sapphire Project will be exempt from the price cap if there is a price cap still enforced by the ACCC beyond 2025.

## **ACTIVITY IN PROVEN BASINS**

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

As announced in the December 2022 Quarterly Activities Report, the Sapphire Pilot Well drilling program has been completed, with the production testing phase of the program now underway. The aggregate gas rate from the Pilot is just over 100,000 standard cubic feet per day and water rate is approximately 200-250 barrels per day with both showing encouraging trends - the gas rate in the pilot wells is increasing, as the water rate is stabilising (Figure 2).

Geological data from the drilling phase has been provided to the Company’s independent reserve certifier Netherland Sewell and Associated Inc of Dallas (NSAI), for assessment. The object of the Pilot Well drilling and production testing campaign has been to build Blue’s gas reserve base (through the conversion of 3C resources to 2P reserves) from the existing inventory of 3C resources situated in the PL 1034 area (Sapphire Block) of ATP 814P, as well as to assess the productivity of the respective target Permian coal seams. The results of these two exercises (reserves and flow rates) will then contribute toward and inform the sizing of the future Sapphire Field Development.

The PL 1034 application area is located immediately adjacent to the Moranbah Gas Project (MGP), a producing gas field which is in ownership transition to Queensland Pacific Minerals, with whom Blue Energy has an existing non-binding Memorandum of Understanding to supply gas to the proposed QPM Nickel refinery in Townsville. With the acquisition of the MGP by QPM, there is now full alignment for Blue to utilise MGP infrastructure and to fulfil the supply agreement to the proposed QPM Townsville plant.

The application for PL 1034 is currently with the Queensland Government for the issue of the Production Licence (PL). Blue Energy is 100% owner and operator of ATP 814P and the PL 1034 application area.

As already announced to the market, ATP 814 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<sup>+</sup> 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<sup>+</sup> of gas in place.

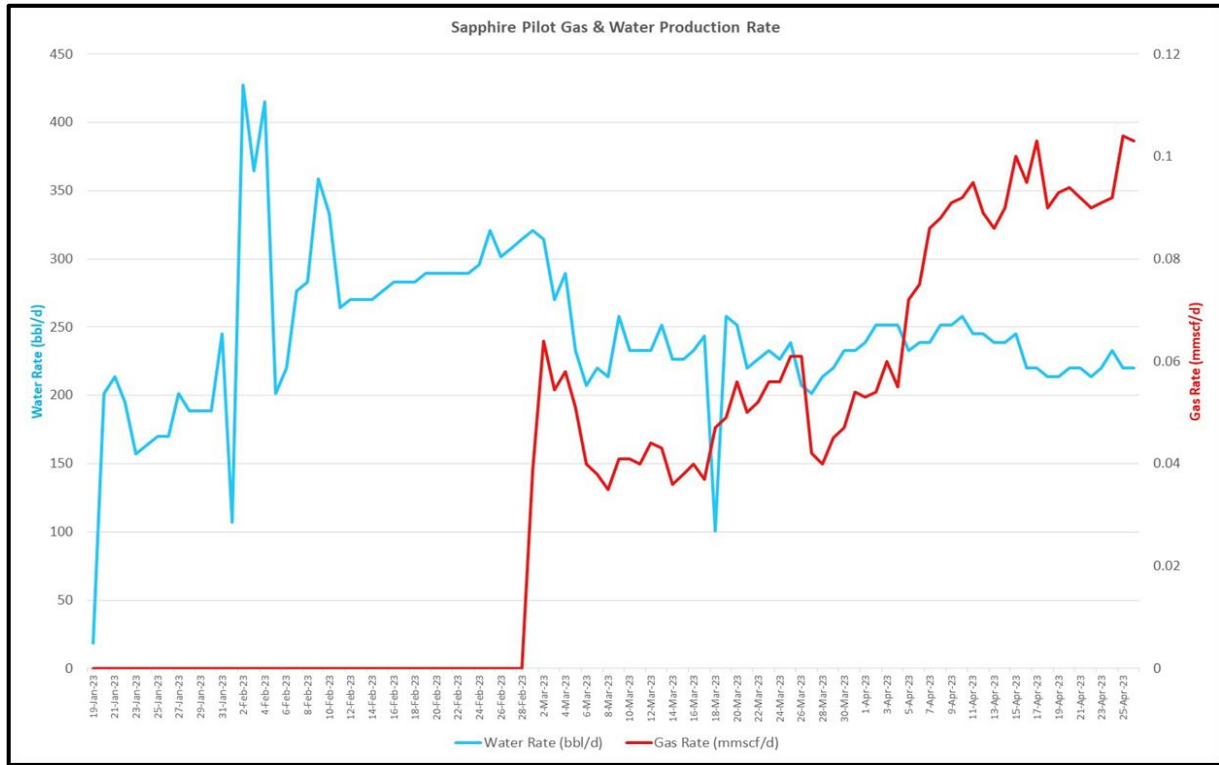


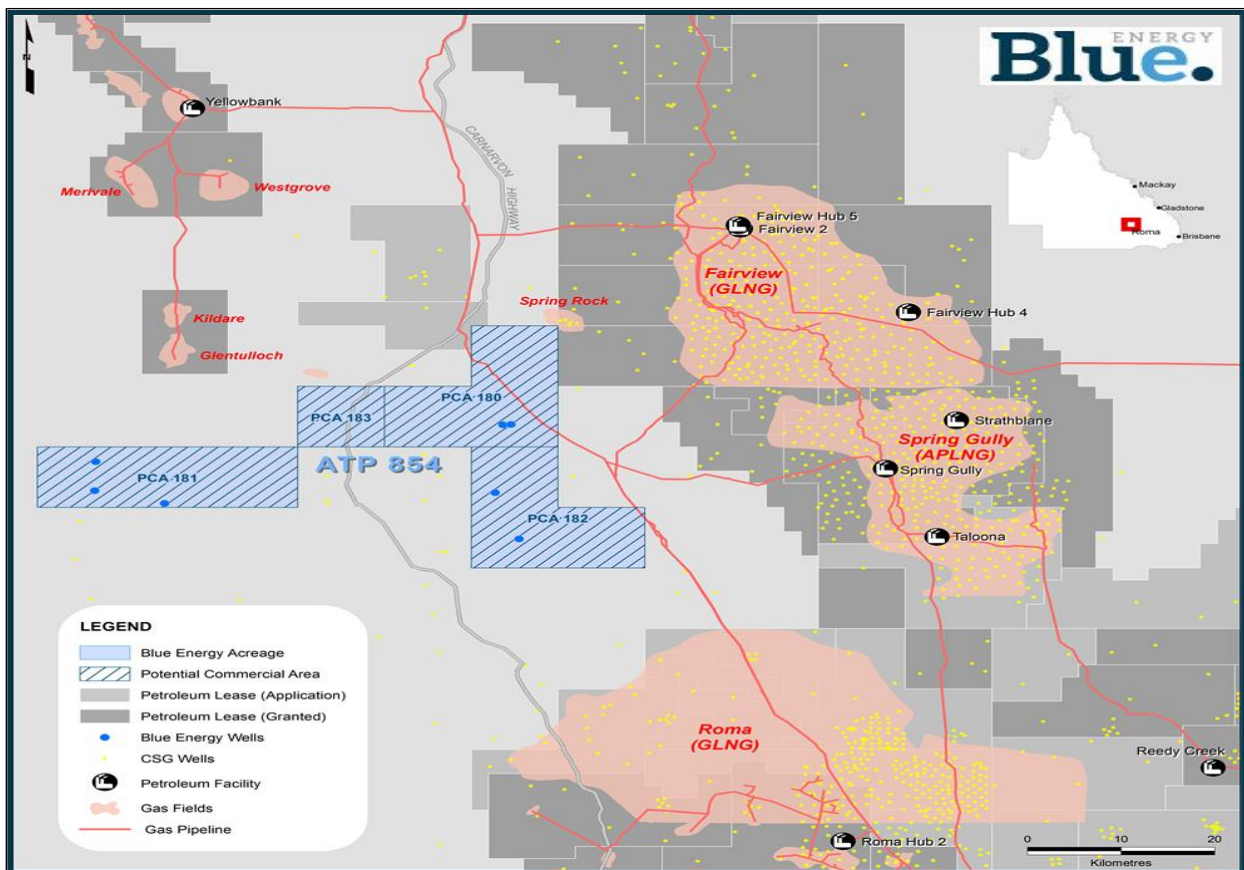
Figure 2: Sapphire gas and water rates since commissioning (water is blue curve and LH axis; gas is red curve and RH Axis). Gas rate shows steady increasing trend as water stabilising. <sup>†</sup> see Listing Rule 5.42 Disclosure at page 7

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

Blue has lodged PCA applications over this permit area to allow this tenure to progress more quickly toward assessing and developing the potential economic gas resources which Blue’s work to date has identified. Blue continues to work with the Queensland Government to secure grant of these PCAs.

Blue has an existing 398 PJ<sup>+</sup> of Contingent Resources in ATP 854 as assessed by NSAI. The gas resource located near the heart of the CSG–LNG Surat Basin gas supply precinct and has gas pipeline infrastructure (PPL 30 and PL 118) linking Wallumbilla to Gladstone running directly through the permit (see Figure 3 below).

<sup>†</sup> see Listing Rule 5.42 Disclosure at page 7.



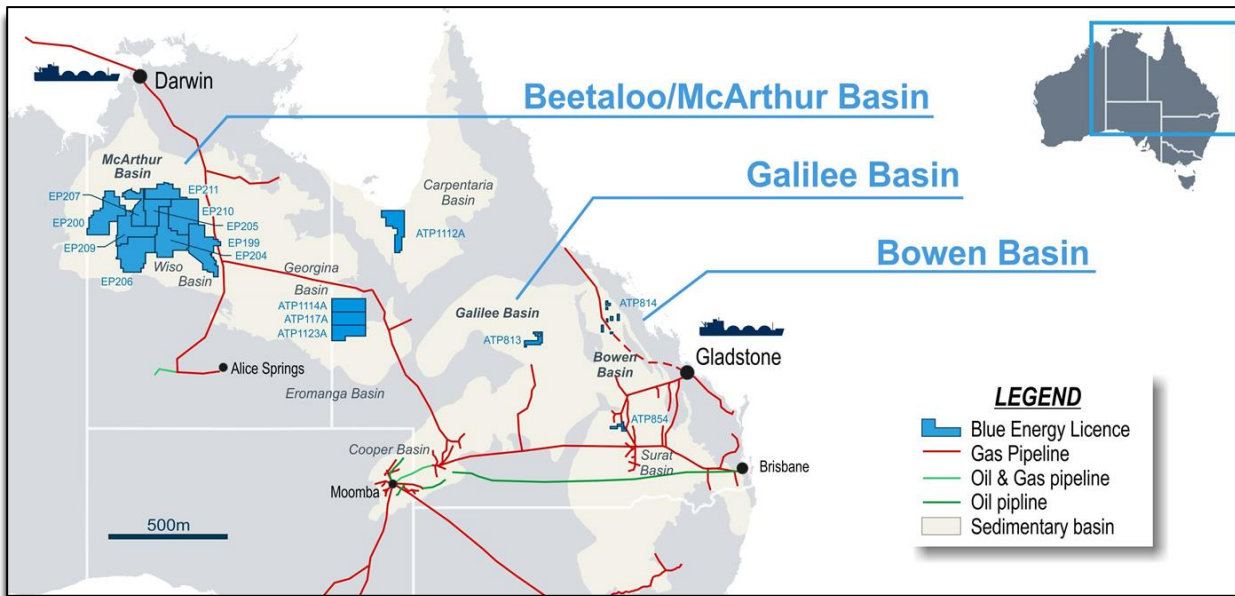
**Figure 3:** Location of ATP 854 in relation to existing pipeline infrastructure and major gas fields.  
Source: Blue Energy.

## **ACTIVITY IN EMERGING BASINS**

### **Greater McArthur Basin, Northern Territory: (Various permits and equity levels, Blue Energy Operator: see Figure 6)**

Blue has lodged 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 survey work undertaken by Blue Energy which looked at the flora, fauna aspects of the survey line locations and access points of the seismic line locations. Blue is working the relevant Northern Territory Government departments to progress the EMP to approval.

As previously advised Blue has sought and been granted a Suspension and Extension of the EP 200, 205 and 207 tenures and work programs to reflect the delays in approval processes experiences on the work programs in these tenures,



**Figure 4:** The Blue Energy exploration asset portfolio Source: Blue Energy.

**Galilee Basin, Queensland: ATP 813 (Blue Energy 100% and Operator)**

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 has 9 separate but contiguous PCA applications over part of the permit area which are currently with the Queensland Department of Resources for grant.

**CORPORATE**

**Cash position**

Cash on hand (at 31 March 2023) was A\$2.5 million, however post record date, receipt of insurance claim funds yields a cash balance of \$3.5 million as at 9<sup>th</sup> April 2023. The Company has nil debt.

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).

**Table 1: Blue Energy gas reserves and resources (net) as at 30 September 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
<b>Total (PJ)</b>				-	<b>314</b>	<b>79</b>	<b>1,419</b>	<b>335</b>	<b>4,504</b>

#### \*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 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 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
ATP813	Galilee Basin (Qld)	100%	100%
ATP814	Bowen Basin (Qld)	100%	100%
ATP854	Surat Basin (Qld)	100%	100%
ATP1112A	Carpentaria Basin (Qld)	100%	100%
ATP1114A	Georgina Basin (Qld)	100%	100%
ATP1117A	Georgina Basin (Qld)	100%	100%
ATP1123A	Georgina Basin (Qld)	100%	100%

**Table 3: Northern Territory tenements**

<b>*Permit</b>	<b>Location</b>	<b>Interest Held Previous Quarter</b>	<b>Interest Held Current Quarter</b>	<b>Comment</b>
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

<b>Blue Energy Limited</b>
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ABN

<b>14 054 800 378</b>
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Quarter ended ("current quarter")

<b>31 March 2023</b>
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date ( 9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(76)	(437)
(e) administration and corporate costs	(20)	(1,059)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	29	87
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	175
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(67)</b>	<b>(1,234)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(3,873)	(22,300)
(e) investments	-	-
(f) other non-current assets	-	-



## 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 ( 9 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3,873)</b>	<b>(22,300)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	20,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(802)
3.5	Proceeds from borrowings	--	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>19,198</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	6,458	6,854
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(67)	(1,234)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,873)	(22,300)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	19,198

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date ( 9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,518</b>	<b>2,518</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,978	1,979
5.2	Call deposits	540	4,478
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,518</b>	<b>6,458</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	175
6.2	Aggregate amount of payments to related parties and their associates included in item 2	60

*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.*

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>	-	
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(67)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(3,873)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	<b>(3,940)</b>
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,518
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	2,518
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	0.64
<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?	
<p>Answer: No. Expenditure of \$3.94 million in the March quarter was significantly reduced from the \$13.3 million expenditure in the December 2022 quarter. The Company expects expenditure in the short to medium term to continue to reduce significantly from the expenditure incurred in the March quarter. December and March quarter expenditure related predominantly to the significant drilling program on the Sapphire Project which was completed successfully during the December quarter. The focus of the Company in the June quarter will be production testing on the Sapphire Project.</p> <p>In addition to the expected reduction in the expenditure profile, the Company anticipates receiving approximately \$1 million in proceeds from an insurance claim for equipment lost downhole during the recently completed drill program.</p>	

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: The Company considers its 31 March 2023 cash reserves of \$2.5 million and the anticipated insurance proceeds of approximately \$1 million are sufficient to enable it to complete the Sapphire production testing program and to meet its ongoing working capital requirements in the short term.

The Company closely monitors its cash flow requirements and based on the \$20 million capital raising completed in the September 2022 quarter and the success of the recently completed Sapphire Project drilling program, the Company is confident it will be able to raise additional funding as required.

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: Yes.

As the Group's assets are in the exploration and evaluation phase, 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 (the majority of which are discretionary in nature) and any ongoing obligations.

The Company considers its existing cash reserves of \$2.5 million and the anticipated insurance proceeds of approximately \$1 million to be sufficient to enable it to undertake the Sapphire Production testing program and meet its working capital requirements in the short term.

Based on the success of the recently completed Sapphire Drilling program and the ability of the Company to raise \$20 million in the September 2022 quarter, the Company believes it will be able to access additional funding as required to continue its operations and meet its business objectives.

*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.*

## 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: ..28 April 2023.....

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

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

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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.