

INTERIM FINANCIAL REPORT
For the half-year ended 31 December 2023

For personal use only

INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2023

CONTENTS

DIRECTORS' REPORT	1
AUDITOR'S INDEPENDENCE DECLARATION	8
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	9
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	10
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	11
CONSOLIDATED STATEMENT OF CASH FLOWS	12
NOTES TO THE FINANCIAL STATEMENTS	13
DIRECTORS' DECLARATION	19
INDEPENDENT AUDITOR'S REVIEW REPORT	20

For personal use only

DIRECTORS' REPORT

For the half-year ended 31 December 2023

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 2023.

DIRECTORS

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

John Ellice-Flint (Chairman)	(Appointed 5 April 2012)
John Phillips	(Appointed 28 June 2010)
Mark Hayward	(Appointed 16 February 2021)
John McCreery	(Appointed 1 December 2023)
Darren Greer	(Appointed 17 August 2023, Resigned 6 November 2023)
Rodney Cameron	(Appointed 15 November 2011, Resigned 30 September 2023)

REVIEW OF OPERATIONS

Blue is subject to continuous disclosure rules, and as such, anything materially affecting Blue and its exploration assets during the half-year and up to the date of this report has been disclosed to the market.

Reserve and Resource Position

Following completion of the 2022 Sapphire pilot drilling campaign, the resulting geological well data was submitted to the Company's independent reserve certifier Netherland Sewell and Associates Inc (NSAI) of Dallas Texas. On 11 October 2023 Blue Energy announced Resource and Reserve upgrades for the Sapphire Block in the North Bowen Basin which included:

- The 2P and 3P gas reserves have been increased to 91 PJ and 287 PJ respectively. The increase in Sapphire 2P reserves reflects 80% of total envisaged gas supply volume required under the non-binding MoU between Queensland Pacific Metals (QPM) and Blue (non-binding HoA for 112 PJ over 15 years).
- The Contingent Resources for Sapphire have increase to 256 PJ. This brings the aggregate 3P+2C gas resource in Sapphire to 543 PJ of recoverable gas.

These reserve and resource additions in the Sapphire block lift the ATP 814 aggregate as follows:

Permit	1P (PJ)		2P (PJ)		3P (PJ)		1C (PJ)		2C (PJ)		3C (PJ)	
	new	'old	new	'old	new	'old	new	'old	new	'old	new	'old
ATP 814P, Sapphire Block, Qld	-	-	90.7	66.5	287.0	253.2	171.2	154.3	251.7	213.9	256.0	214.4
% change	-	-	+36.4%	-	+13.0%	-	+11.0%	-	+17.7%	-	+19.4%	-

Table 1: Sapphire Block ATP 814; NSAI Reserve and Contingent Resource assessment announced 11 October 2023

Permit	Block	Date	Method	Certifier	1P (PJ)	1C (PJ)	2P (PJ)	2C (PJ)	3P (PJ)	3C (PJ)
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)					-	428	91	1,423	293	3,619

Table 2: ATP 814 Aggregate Gas Reserves and Contingent Resources as at 31 December 2023.

These reserves are not yet developed, and there has been no commercial 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

DIRECTORS' REPORT

For the half-year ended 31 December 2023

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.

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 3: Blue Energy gas reserves and resources (net) as at 31 October 2023

*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, 14 July 2022 and 31 July 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 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)

Blue's 100% ATP814P currently contains 91 PJ+ of 2P reserves and 293 PJ+ of 3P reserves (as independently certified by NSAI). Significant upside also exists within the constituent blocks comprising the permit, with a combined 3,619 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 Sapphire Pilot is within the PL 1034 production licence application area, which is located immediately adjacent to the Moranbah Gas Project (MGP). 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).

Blue has also 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 commencing 2027. The gas for both of these agreements is to be delivered to the Wallumbilla hub.

DIRECTORS' REPORT
For the half-year ended 31 December 2023

Blue was granted a Site-Specific Environmental Authority (EA) for the PL 1034 application by the Queensland Department of Environment and Science (DES). This EA will cover the proposed development of the PL 1034 gas resource and is a requirement for grant of the Production Licence. As previously advised to the market and described in the section below, the Environmental Defender's Office, on behalf of its client Environmental Advocacy in Central Queensland Inc (EACQI), has lodged an appeal with the Land Court against the decision by the DES to award the EA.

Blue also requires a Native Title Agreement to be executed over the area of a PL, to allow the State to award the lease. Blue is presently in negotiations with the prescribed representative of the Traditional Owners for the relevant area of PL 1034.

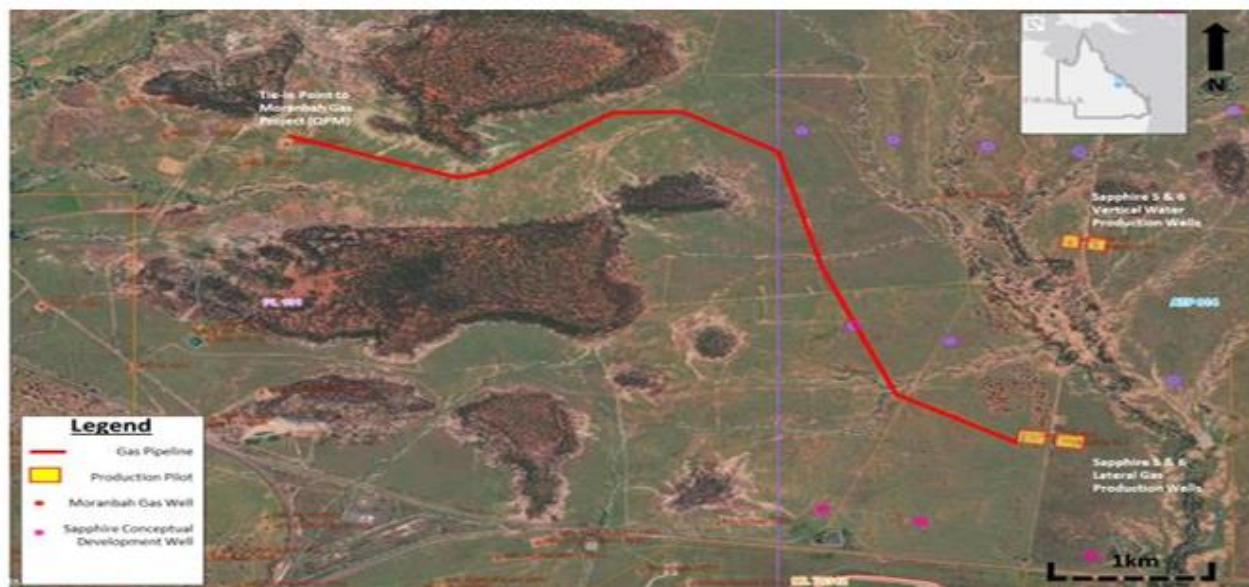


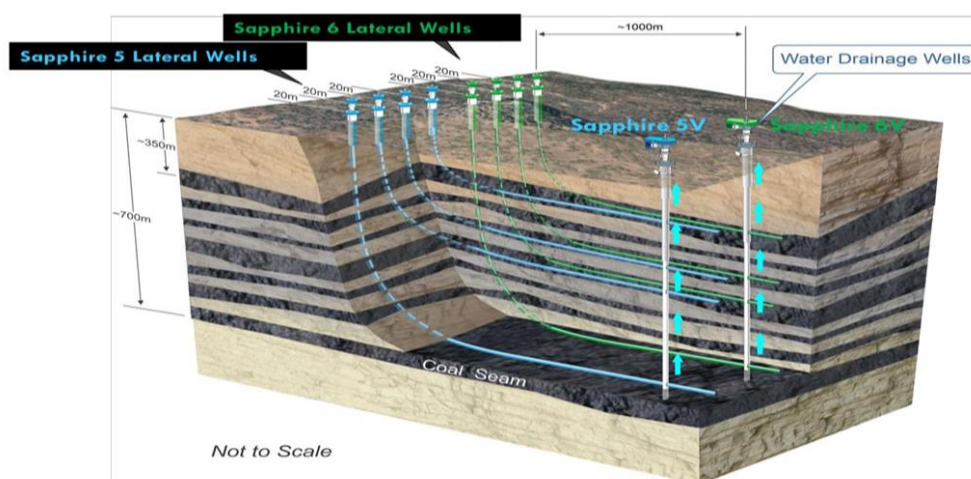
Figure 1 : Provisional pipeline route for tie into QPME's Moranbah Gas Project low pressure network Source : Blue Energy.

Sapphire Pilot well production test program

During the half-year Blue continued the Sapphire pilot well production test program. 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.

A Pressure Build Up survey to assess the pressure connectivity between the Sapphire 5 and Sapphire 6 Pilot wells was conducted between 9 August and 26 August. Results of this test identified potential skin damage on the lateral wells. A remedial program is being considered to redress this issue. The previous re-pressurisation procedure undertaken post pressure build up (ie continuing to dewater through the vertical well whilst keeping the lateral gas well sets shut in) was run pre the Christmas break. Since that time the Hydraulic Pumping Unit on Sapphire 5V vertical well has needed maintenance. This maintenance work is almost complete with Sapphire 5V Pilot expected to be restarted from early February. In the interim period Sapphire 6 L3 and L4 laterals have been flaring gas at low rates (up to 50 mscfd). These wells are producing from the upper two seams only of the Pilot in the Rangal and Fort Cooper Coal Measures.

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.



Source: Blue Energy

Figure 2: Schematic of Sapphire 5 and 6 pilot well configuration

Environmental Authority ATP 814

During the half-year Blue continued to execute its defence of the grant of Environmental Authorities (EA) by the Queensland Department of Environment and Science (DES) for its proposed activities in ATP 814. 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 Appeal is being conducted by the Environmental Defenders Office (EDO) on behalf of EACQI. 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 EDO as Blue is an interested party being the beneficiary of the EA granted to it.

On 22nd December 2023, Blue submitted its response to the Land Court of an Amended Notice of Appeal lodged by the Environmental Advocacy in CQ Inc.

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.

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.

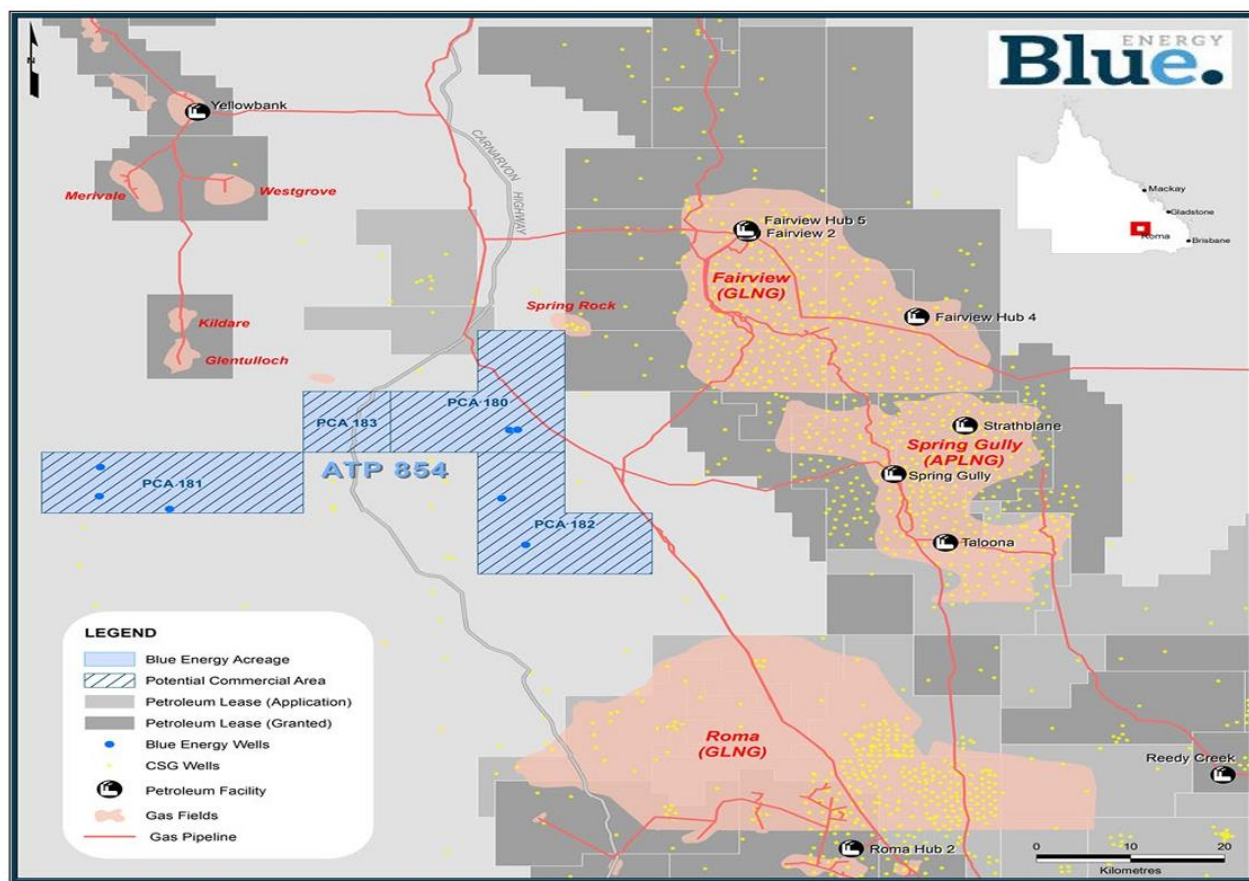


Figure 3: Location of ATP 854 in relation to existing pipeline infrastructure and major gas fields.
Source : Blue Energy

Galilee Basin

ATP813P Blue (100% and Operator)

Blue lodged 9 separate Potential Commercial Area Applications in 2017. On 20 September 2023 Blue announced that the applications for 9 PCAs and the application to renew the ATP permit were rejected by the Queensland government on the basis that the government was not satisfied that petroleum production in the Galilee Basin area covered by Blue's PCA applications would be likely to become commercially viable within the next 15 years.

Whilst Blue's economic assessment of the PCA areas suggested positive economic viability within the term of the PCA's based on current gas prices, aggregated infrastructure construction to connect to the east coast market and using "common user" principles for gas pipeline access, Blue elected not to exercise its right to appeal the Government's decision. As a consequence the ATP813P tenure lapsed.

As the tenure has lapsed, capitalised exploration and evaluation expenditure of \$12.168 million for ATP813P was written off by Blue in the half year ended 31 December 2023.

Greater McArthur Basin, Northern Territory

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

Subsequent to 31 December 2023, Blue received approval of the Environmental Management Plan (EMP) for the acquisition of 2D regional seismic in EPs 200, 205 and 207. Blue's EMP submission incorporated 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 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.

DIRECTORS' REPORT
For the half-year ended 31 December 2023

Given the delays in formulation and approval 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 2025.

Geoscience Australia (GA) has independently acquired 2D regional scale seismic data in the Wiso Basin (overlays the Birrindudu Basin), and which overlaps Blue Energy's tenements in several locations. This seismic acquisition program is part of a national "Exploring for the Future" seismic acquisition program. The data is of great interest to Blue as it will assist in establishing a regional geological and structural framework in the area where there is currently very little data. The data was acquired by GA in September 2023 and Blue understands the raw seismic data will be available in early March after which Blue will process this data to evaluate the structural aspects and potential prospectivity of the shallow Proterozoic section of interest in EP 200.

For personal use only

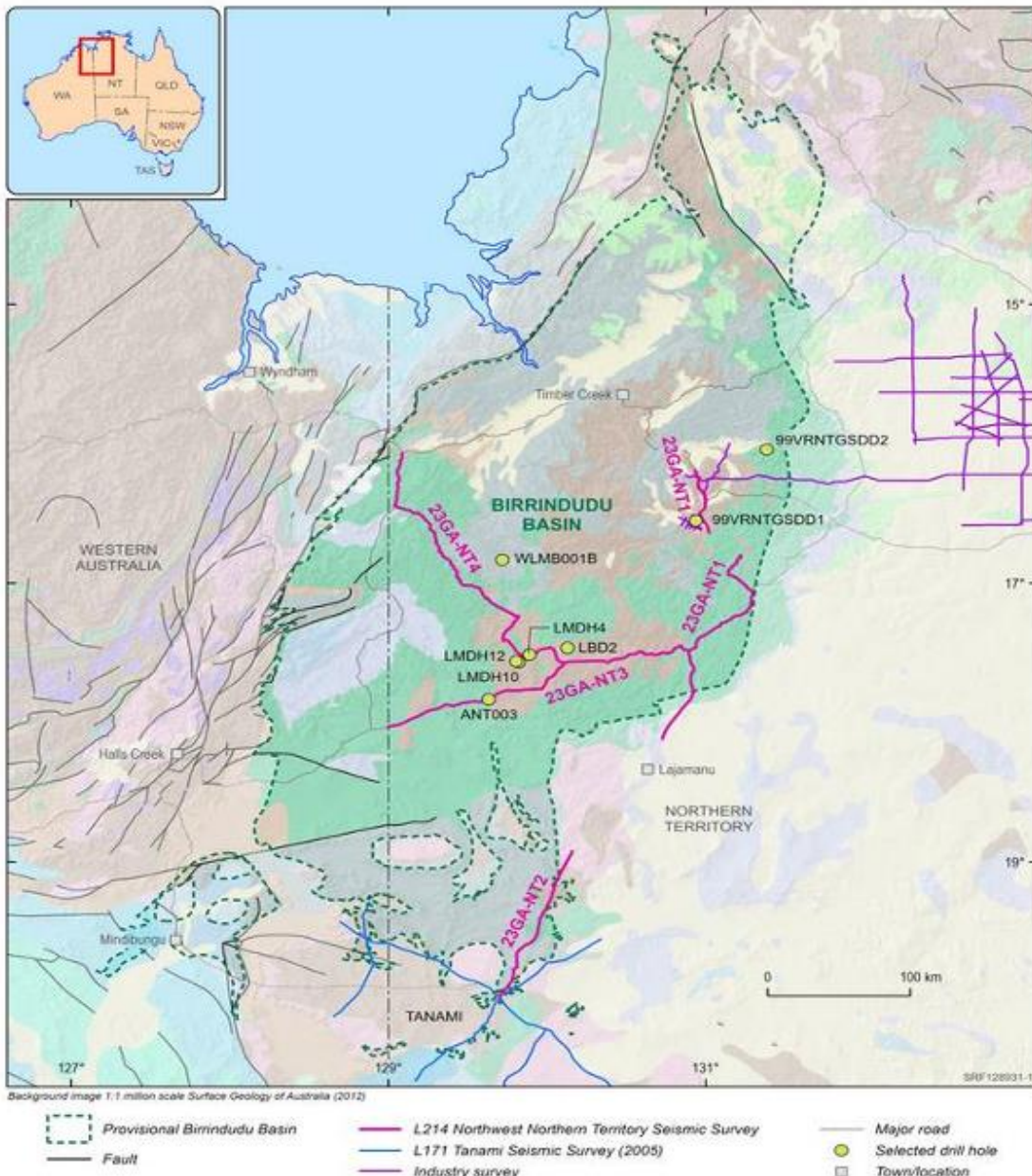


Figure 4 – location of Geoscience Australia Seismic Survey, part of the Exploring for the Future national program (Source: Geoscience Australia)

DIRECTORS' REPORT
For the half-year ended 31 December 2023

CORPORATE

Financial Position

The net assets of the Group have decreased by \$12,961 thousand from 30 June 2023 to 31 December 2023 to \$74,485 thousand. This is due to the \$12,168 thousand write off of capitalised exploration and evaluation expenditure related to ATP813 for which the Company's tenure lapsed during the half-year.

The Group posted a loss after income tax for the period of \$12,949 thousand (31 December 2022: \$739 thousand). The increased loss was primarily due to \$12,168 thousand write off of capitalised exploration and evaluation expenditure related to ATP813.

Cash expenditure on exploration and evaluation for the period was \$2,015 thousand (31 December 2022: \$18,427 thousand) with the Sapphire 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 nil fully paid ordinary shares.

Nil incentive performance rights were granted during the period under the current Employee Incentive Rights Plan.

SUBSEQUENT EVENTS

Except for the matter noted below, subsequent to 31 December 2023, 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:

- On 10 January 2024, Blue received a \$7,050 thousand Research and Development Tax Incentive for the year ended 30 June 2023 before repayment of \$1,951 thousand principal and interest under a loan facility for which the Research and Development Tax Incentive refund was pledged as security.
- On February 2024, Blue announced that it had executed a non-binding Heads Of Agreement with AGL Limited for the supply of up to 300 PJ of gas deliverable at Wallumbilla over 10 years from Blue's Northern Bowen Basin ATP814 coal seam gas tenure. The indicative start date for the supply of gas is 2028.

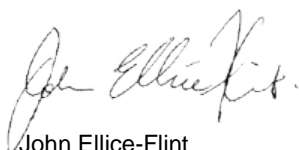
AUDITOR'S DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001, for the half-year ended 31 December 2023, 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
Non-Executive Chairman
Blue Energy Limited

Dated this 14th day of March 2024
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 2023, 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 2024

For personal use only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Financial income	2	22	70
Other income	2	14	228
Total income		36	298
Operating and administration expenses	3	(817)	(1,037)
Exploration and evaluation expenditure written off	5	(12,168)	-
(Loss) before income tax		(12,949)	(739)
Income tax benefit		-	-
(Loss) for the half-year attributable to the owners of the parent		(12,949)	(739)
Other comprehensive income		-	-
Total comprehensive (loss) for the half-year attributable to the owners of the parent		(12,949)	(739)
Earnings per share (cents per share):			
- basic		(0.70)	(0.04)
- diluted		(0.70)	(0.04)

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 2023

	Note	31 Dec 2023 \$'000	30 June 2023 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	13	1,716	2,400
Trade and other receivables	4	7,267	121
Total Current Assets		8,983	2,521
Non-Current Assets			
Property, plant, and equipment		172	116
Right of use assets		7	28
Trade and other receivables		85	122
Exploration and evaluation expenditure	5	68,869	86,488
Total Non-Current Assets		69,133	86,754
TOTAL ASSETS		78,116	89,275
LIABILITIES			
Current Liabilities			
Trade and other payables		397	599
Lease liability		5	23
Provisions		762	757
Borrowings	6	2,041	-
Total Current Liabilities		3,205	1,379
Non-Current Liabilities			
Lease liability		-	5
Provisions		426	445
Total Non-Current Liabilities		426	450
TOTAL LIABILITIES		3,631	1,829
NET ASSETS		74,485	87,446
EQUITY			
Issued capital	7	168,687	168,687
Reserves	8	8,863	8,875
Accumulated losses		(103,065)	(90,116)
TOTAL EQUITY		74,485	87,446

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 2023

	Issued Capital \$'000	Accumulated losses \$'000	Reserves \$'000	Total \$'000
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
Balance at 1 July 2023	168,687	(90,116)	8,875	87,446
Total comprehensive loss				
(Loss) for the half-year		(12,949)		(12,949)
Total comprehensive loss for the half-year		(12,949)		(12,949)
Transaction with owners in their capacity as owners				
Issue of new shares	-	-	-	-
Capital raising costs	-	-	-	-
Share-based payments	-	-	(12)	(12)
Total transactions with owners	-	-	(12)	(12)
Balance at 31 December 2023	168,687	(103,065)	8,863	74,485

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 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Cash flows from operating activities			
Receipts of refunds for GST		174	1,864
Payments to suppliers and employees		(1,045)	(2,994)
Interest received		22	58
Net cash used in operating activities		<u>(849)</u>	<u>(1,072)</u>
Cash flows from investing activities			
Funds used in exploration and evaluation		(2,015)	(18,427)
Research and development tax incentive received		275	-
Funds used to acquire property, plant, and equipment		(62)	(53)
Net cash used in investing activities		<u>(1,802)</u>	<u>(18,480)</u>
Cash flows from financing activities			
Proceeds from share issue		-	20,000
Capital raising costs		-	(844)
Proceeds from borrowings		2,012	-
Repayment of borrowings		(45)	-
Net cash flows provided by financing activities		<u>1,967</u>	<u>19,156</u>
Net increase / (decrease) in cash and cash equivalents held		(684)	(396)
Cash and cash equivalents at beginning of half-year		2,400	6,854
Cash and cash equivalents at end of half-year	13	<u>1,716</u>	<u>6,458</u>

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

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 2023 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 2024.

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 2023.

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 2023, the Group had \$1,716 thousand in cash and cash equivalents, which includes \$408 thousand of restricted cash.

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 2023 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, the receipt of a \$7.05 million Research and Development Tax Incentive Payment (before repayment of \$1.951 million in borrowings) in January 2024, and the Company's successful history 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

2. INCOME

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Financial income		
Interest received	22	70
	<u>22</u>	<u>70</u>
Other income		
Gain on sale of exploration tenement	-	175
Fuel tax credits received	14	53
	<u>14</u>	<u>228</u>
Total Income	<u>36</u>	<u>298</u>

3. PROFIT/(LOSS) FOR THE HALF YEAR

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Operating and administration expenses include		
Employee benefit expenses	238	442
Superannuation	55	100
Depreciation and amortisation expense	27	52
Directors' fees	60	67
Net foreign exchange loss	-	158
Share based payments expense / (income)	(12)	18
Finance costs	57	12

4. TRADE AND OTHER RECEIVABLES

	31 Dec 2023	30 June 2023
	\$'000	\$'000
Trade and other receivables	<u>7,267</u>	<u>121</u>

Trade and other receivables at 31 December 2023 includes a \$7,050 thousand Research and Development Tax Incentive for the year ended 30 June 2023 that was received by the Company on 10 January 2024 before repayment of \$1,951 thousand principal and interest under a loan facility for which the Research and Development Tax Incentive refund was pledged as security (refer Note 6).

NOTES TO THE FINANCIAL STATEMENTS

5. EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2023	30 June 2023
	\$'000	\$'000
Exploration and evaluation expenditure acquired and recognised on consolidation	13,648	13,648
Other exploration and evaluation expenditure	104,781	102,882
Restoration asset	801	826
Research and development tax incentive offset	(7,325)	-
Impairment and write off of exploration and evaluation expenditure asset	(43,036)	(30,868)
Total exploration and evaluation expenditure brought to account	68,869	86,488

During the half-year the Company wrote off \$12,168 thousand in capitalised exploration and evaluation expenditure related to ATP813 in the Galilee Basin following a decision by the Queensland Government to reject the Company's application for nine PCA's.

During the half-year capitalised exploration and evaluation expenditure was reduced by \$7,325 thousand in relation to Research and Development Tax Incentive offsets claimed by the Company in relation to the financial years ended 30 June 2022 and 30 June 2023.

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.

6. BORROWINGS - CURRENT

	31 Dec 2023	30 June 2023
	\$'000	\$'000
Research and development tax incentive funding facility	1,951	-
Other borrowings	90	-
	<u>2,041</u>	<u>-</u>

Movements in borrowings

	31 Dec 2023	30 June 2023
	\$'000	\$'000
Opening balance	-	-
Principal amounts borrowed	2,012	-
Interest	52	-
Repayments	(23)	-
Closing balance	<u>2,041</u>	<u>-</u>

The research and development tax incentive funding facility was repaid in full on 10 January 2024 (refer Note 4). The significant terms of the loan facility were:

- Interest rate of 1.33% per month to 31 December 2023 with a minimum of two months interest payable at the rate of 1.33% per month.
- Interest rate of 1.58% from 1 January 2024 to 29 February 2024.
- Secured against R&D tax incentive due (refer Note 4).
- Date of repayment 31 December 2023 which may be extended by two one month periods.

NOTES TO THE FINANCIAL STATEMENTS

7. ISSUED CAPITAL

	31 Dec 2023		30 June 2023	
	Shares	\$'000	Shares	\$'000
Ordinary shares:				
Issued and fully paid	1,850,973,596	168,687	1,850,973,596	168,687
Movements in ordinary shares on issue:				
Opening balance	1,850,973,596	168,687	1,528,214,889	149,531
Issued shares at 4.5c/share	-	-	322,580,645	20,000
Issued shares on exercise of vested performance rights	-	-	178,062	-
Capital raising costs	-	-	-	(844)
Closing balance	1,850,973,596	168,687	1,850,973,596	168,687

8. RESERVES

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

	31 Dec 2023	30 June 2023
	\$'000	\$'000
Reserves:		
Options Reserve opening balance	8,875	8,834
Share based payments expenses / (income)	(12)	41
Total Reserves	8,863	8,875

Rights over shares

During the year, the Group granted Nil incentive rights to executive directors pursuant to the Employee Incentive Rights Plan (2022: 9,042,667 incentive rights issued). A net income position arose during the current half year due to the reversal of previously expensed options where the vesting conditions were not met.

9. 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.

10. CONTINGENT LIABILITIES

Except as noted below, the Directors are not aware of any contingent liabilities or contingent assets at 31 December 2023, which are not otherwise disclosed in this report or in the annual financial report for the year ended 30 June 2023.

- On 5 September 2023, the Company announced that the Environmental Defenders Office (EDO) had lodged notice of an appeal (NOA) in the Queensland Land Court regarding the decision of the Queensland Department of Environment and Science (DES) to award an Environmental Authority (EA) with standard conditions to Blue for its proposed activities in ATP814. Blue has been included as a party to the appeal by the EDO as Blue is an interested party being the beneficiary of the EA granted to it. On 22nd December 2023, Blue submitted its response to the Land Court of an Amended Notice of Appeal lodged by the Environmental Advocacy in CQ Inc. At such a preliminary stage, it would be premature to speculate on the outcome of the proceedings (including the financial impact, if any) on the Company. It is worth noting however that the EA application made by Blue Energy was assessed by DES in its Original Decision and on Internal Review. In both decisions, objectors raised issues similar to those which are now raised by the Appellant in the NOA and, taking those submissions into account, DES was satisfied that the application satisfied the requirements of the Environmental Protection Act 1994 (Qld) and granted the EA.

11. SUBSEQUENT EVENTS

Except for the matter noted below, subsequent to 31 December 2023, 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:

- On 10 January 2024, Blue received a \$7,050 thousand Research and Development Tax Incentive for the year ended 30 June 2023 before the repayment of \$1,951 thousand principal and interest under a loan facility for which the Research and Development Tax Incentive refund was pledged as security.
- On February 2024, Blue announced that it had executed a non-binding Heads Of Agreement with AGL Limited for the supply of up to 300 PJ of gas deliverable at Wallumbilla over 10 years from Blue's Northern Bowen Basin ATP814 coal seam gas tenure. The indicative start date for the supply of gas is 2028.

12. DIVIDEND PAID OR PROVIDED FOR ON ORDINARY SHARES

There was no dividend paid or provided for at the reporting date (31 December 2022: \$nil).

13. CASH AND CASH EQUIVALENTS

At 31 December 2023, the Group had \$1,716 thousand (30 June 2023: \$2,400 thousand) in cash and cash equivalents, which includes \$408 thousand (30 June 2023: \$408 thousand) of restricted cash.

Restricted cash includes deposits secured against bank guarantees relating to financial assurances for ATPs.

14. 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 due to their short term nature.

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 2023 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 2024

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 2023, 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 2023 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 Group 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 2023 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 2024