

31st January 2020

QUARTERLY ACTIVITIES REPORT

To 31st December 2019

Blue Energy Limited (ASX: "BUL") is pleased to report on activities during the December 2019 quarter across its exploration acreage in Queensland and the Northern Territory in which the Company's key gas and oil projects are located.

Key points

- **Southern pipeline routes –**
 - **Blue extends MOU with APA for Bowen Basin gas pipeline route**
 - **Blue continues discussions with Northern Australia Infrastructure Fund on its own alternate southern pipeline route option**
- **Blue signs MOU with Queensland Pacific Metals Pty Ltd to provide gas to proposed Nickel refinery in Townsville – giving Blue a northern gas market option**
- **Power generation options for Bowen gas expand**
- **Gas Sale Agreement discussions expanded to more Townsville opportunities**
- **Activity continues in adjacent acreage in Galilee Basin and Northern Territory**
- **Total corporate gas resources position across all held acreage = 4,179 PJ⁺**
- **Cash position – A\$5.35 million as at 31 December 2019**
- **The Company maintains Nil debt**

Southern gas pipeline route - Blue and APA refresh the Bowen Basin pipeline MOU

The existing MOU between APA and Blue Energy (which was executed in 2017) to investigate the pipeline route options from Moranbah to the southern gas market (ie Wallumbilla via existing APA gas pipeline infrastructure), has been extended with the view to considering a modified alignment which incorporates both the existing Blue Energy gas in the Bowen Basin, the potential gas which is considered still too early to be available from the Galilee Basin to the west, and a more direct route to the domestic market in the south.

Queensland Pacific Metals gas supply MoU

As detailed in Blue Energy's market announcement 11 November 2019, the Company signed a non-binding MOU with Queensland Pacific Metals Pty Ltd (QPM) to facilitate delivery of a portion of Blue Energy's North Bowen Basin gas resources. QPM is a wholly owned subsidiary of Pure Minerals Limited who is focussed on developing a battery chemicals refinery to produce nickel and cobalt sulphate for the emerging EV sector.

QPM recently released positive results of a pre-feasibility study on the TECH Nickel project which indicated a pre-tax Internal Rate of Return of 25.7% on the project and positive NPV of \$880 million

Gas fired electricity generation option expands.

In conjunction with the activities at the Hillalong Block, Blue Energy has initiated investigations into the feasibility of a gas power generation project at its 100% held Monslatt Block (PL 1036), which is also located in very close proximity to the high voltage transmission line linking Gladstone and Townsville, the major power arterial for the Mackay and Townsville regions (see Figure 1).

Discussions are being undertaken with energy Regulators to establish the requirements for access to the network in both the Glenden and Nebo areas. Discussions are also under way with potential electricity off-takers and equipment manufacturers to gauge equipment size, scalability and connection requirements.

Activity in Proven Basins

Bowen Basin, Queensland

ATP814P (Blue Energy 100% and Operator)

Administrative tenure matters with the Qld Government are ongoing with respect to ATP814, including the four Production Licence Applications (PLAs) and the four Potential Commercial Areas applications (PCAs) lodged by Blue Energy. Renewal of the underlying ATP is also on foot with the Government. These tenure activities are being undertaken in parallel with the ongoing commercial negotiation and the assessment of each blocks feasibility to host gas fired power generation projects.

As has been previously announced to the market, ATP814 currently has 2P reserves of 71 PJ⁺ and 3P reserves of 298 PJ⁺ (as independently estimated by Netherland, Sewell and Associates (NSAI)). There is also significant upside within the constituent blocks comprising the Permit with a combined 3,248 PJ of Contingent Resources estimated by NSAI.

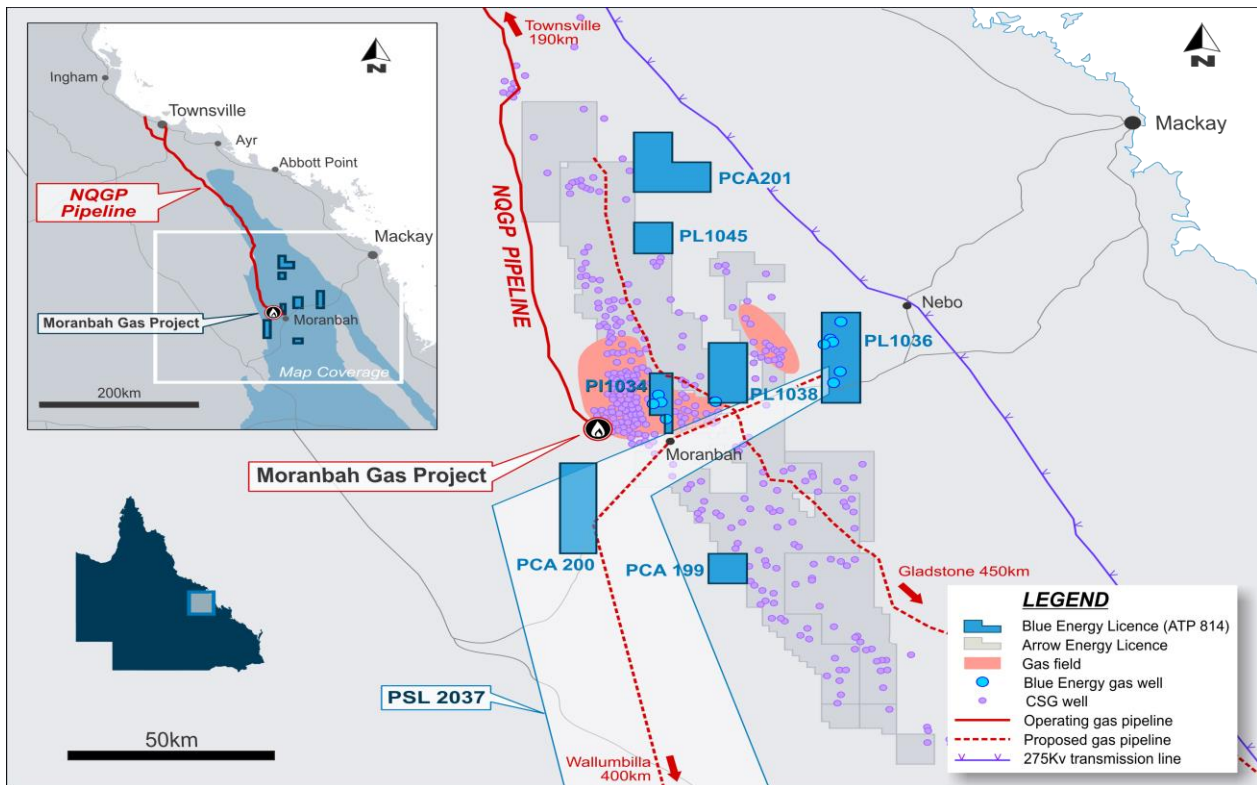


Figure 1: ATP814 Bowen Basin Queensland showing PL, PCA and PSL Applications and the NQGP gas pipeline to Townsville.

The broader Northern Bowen Basin Gas Province has a discovered resource of approximately 15,000 PJ of gas which would be sufficient to underpin the east coast domestic gas market for the next 30 years, based on current market conditions. Blue’s component of this estimate is currently 3,248 PJ*. The solution to the ongoing long-term East Coast gas supply short fall, as Bass strait declines, is the delivery of more gas supply to the market. Development of the North Bowen Basin gas resource provides the quickest solution. All that is require is a 450 km pipeline connection.

Surat Basin, Queensland

ATP854P (Blue Energy 100% and Operator)

ATP 854P contains 103 PJ of Contingent Resources, as reported to the market on 19 March 2013. Blue has lodged Potential Commercial Area Applications (PCA’s) over the Permit with the Queensland Government which will allow work to be undertaken to grow gas reserves and resources in parallel with the continued marketing of the gas resources to potential buyers.

As previously noted, PSL 2033 (the proposed Jemena pipeline from the Galilee Basin) is proposed to pass through ATP854 and connect to their Wallumbilla – Gladstone gas pipeline and is therefore strategically located for Blue Energy to potentially utilize for gas export across the Permit in due course. This proposed pipeline also provides a potential alternate path to market

for Blue’s Galilee Basin gas resources in ATP813P (see Figure 2).

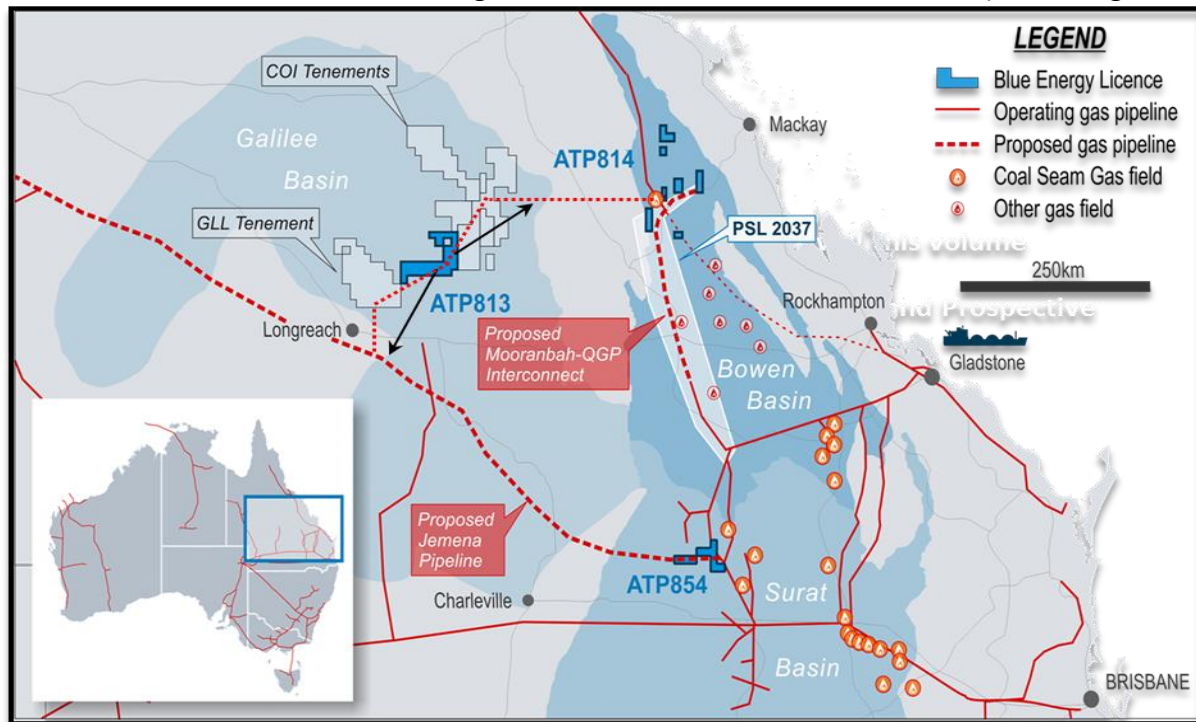


Figure 2: Pipeline routes impacting ATP854P, ATP813P and ATP814P

Activity in Emerging Basins

Greater McArthur Basin (Northern Territory)

(various permits and equities levels - Blue Energy Operator)

Following the nearly three year hiatus resulting from the Pepper Inquiry and subsequent legislative change process (to incorporate just the exploration component of the Pepper recommendations), Blue has now commenced re-engagement with the Aboriginal Land Councils, Land owners, Government departments and other stakeholders to commence the process for lodgment of an Environmental Management Plan (EMP) and the new approval process regime ahead of the planned seismic campaigns in EP’s 200, 205 and 207 contemplated under the previous approval system. This engagement process is ongoing.

Operator’s Santos and Origin have separately tested the EMP lodgment and approval process for drilling and fracture stimulation, and there is also now a fledgling template for EMP approvals of seismic acquisition activity which Blue Energy can leverage from.

A suspension of Work Program activity on Blue’s three awarded tenures in the Northern Territory (EP 200, 205 & 207) is in force and remains so until February 2020, at which time a decision will be made to request an extension to this suspension period to enable all government approval processes to be thoroughly completed without impacting negatively on the original tenure term.

Encouragingly, post moratorium activity has restarted in the Territory, albeit cautiously, with Santos and Origin both undertaking on ground activity under the new regulatory regime. To date, Origin have drilled their vertical Kyalla well and have made attempts to drill the lateral production well from this vertical mother-bore. In a reminder of the tough drilling environment and the

technical risk involved at this early stage of drilling experience in the basin, Origin has advised that it is having to re-drill the lateral well bore due to hole instability and collapse issue in the original lateral.

Simultaneously, Santos is testing their Tanumbirini 1 well (which they drilled pre-moratorium – 2015) having recently undertaken hydraulic stimulation activities. The results of both these wells are eagerly awaited.

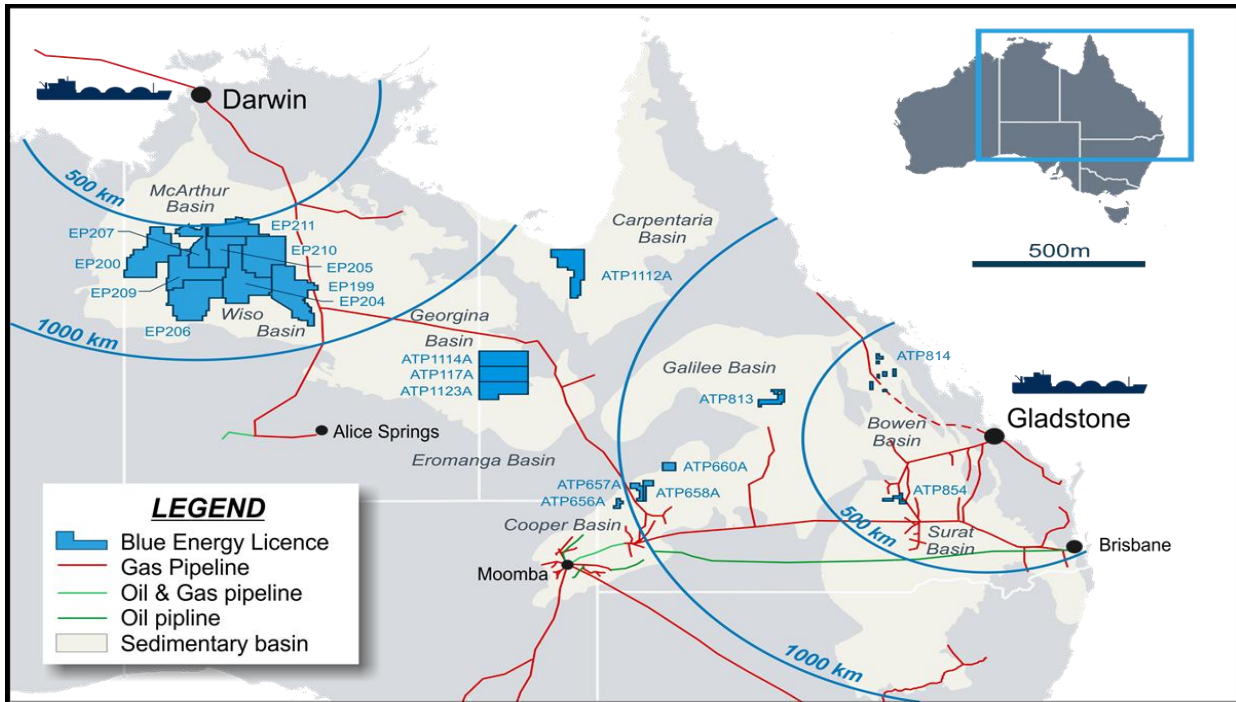


Figure 3: Blue Energy’s acreage portfolio highlighting the large McArthur Basin position in the NT

Galilee Basin (Queensland)

ATP813P (Blue Energy 100% and Operator)

Applications for PCAs were lodged with the Qld Government in 2017, together with an application to renew the Permit. These applications continue to remain on foot with the Qld Government. The on-ground activity conducted by Blue Energy to date has resulted in the delineation of 838 PJ (net to Blue Energy) of Contingent gas Resources within the Betts Creek CSG play in ATP813P (as assessed by Netherland Sewell and Associates Inc).

In competitor activity adjacent to Blue’s ATP813, the Glenaras Coal Seam Gas Pilot operated by Galilee Energy Ltd continues on production test (in ATP 2019). Galilee Energy continues to report minor gas flow and high water rate from the test wells and expects gas rates to increase, as the dewatering of the target coals proceeds. Success will provide proof of concept for the Galilee Basin CSG play and give confidence for Blue to conduct appraisal activities on its gas discoveries (838 PJ) already recorded in ATP813P.

In other activity, Comet Ridge and Vintage Energy have drilled conventional gas wells on the Albany structure, both of which have yielded gas shows in the older Devonian section. These wells are both proposed to undergo reservoir stimulation procedures and we await the results of this process. Establishment of commercial gas rates from these wells will revive the conventional structural play for the Basin to augment the existing CSG play. This play is recognised to exist in ATP813 and could be targeted by future seismic acquisition by Blue.

Corporate

Cash Position

Cash on hand at 30 September 2019 was \$5.35 million.

The Company has zero debt.

Blue Energy Gas Reserves and Resources

Permit	Block	Assessment Date	Announcement Date	Methodology	Certifier	1P (PJ)	1C (PJ)	2P (PJ)	2C (PJ)	3P (PJ)	3C (PJ)
ATP854P		30/06/2012	19/03/2013	SPE/PRMS	NSAI	0	22	0	47	0	101
ATP813P		29/10/2014	30/10/2014	SPE/PRMS	NSAI	0	0	0	61	0	830
ATP814P	Sapphire	5/12/2015	8/12/2015	SPE/PRMS	NSAI	0	66	59	108	216	186
ATP814P	Central	5/12/2015	8/12/2015	SPE/PRMS	NSAI	0	50	12	99	75	306
ATP814P	Monslatt	5/12/2015	8/12/2015	SPE/PRMS	NSAI	0	0	0	619	0	2,054
ATP814P	Lancewood	5/12/2015	8/12/2015	SPE/PRMS	NSAI	0	5	0	23	1	435
ATP814P	Hillalong	6/02/2019	7/02/2019	SPE/PRMS	NSAI	0	0	0	182	0	237
ATP814P	South	30/06/2013	29/07/2013	SPE/PRMS	NSAI	0	15	0	27	6	30
Total (PJ)						0	158	71	1,166	298	4,179
Total						0	27	12	199	51	714

Table 3: Blue Energy net Reserves and Resources

***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 25 January 2012, 26 February 2013, 19 March 2013, 8 December 2015 and 28 February 2019. 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 2007 Petroleum and Resource Management System (PRMS) approved by the SPE, utilizing 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 813P, 814P or 854P 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.

Petroleum Tenements Held

Table 4

Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter
ATP656P	Cooper Basin (Qld)	100%	100%
ATP657P	Cooper Basin (Qld)	100%	100%
ATP658P	Cooper Basin (Qld)	100%	100%
ATP660P	Cooper Basin (Qld)	100%	100%
ATP813P	Galilee Basin (Qld)	100%	100%
ATP814P	Bowen Basin (Qld)	100%	100%
ATP854P	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%

*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

Table 5

*Exploration blocks Blue is farming into

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

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