

29 April 2022

QUARTERLY ACTIVITIES REPORT to 31 March 2022

Blue Energy Limited (ASX: BLU, 'Blue Energy', 'Blue' or 'the Company') is pleased to report on activities during the quarter ended 31 March 2022 across its exploration acreage in Queensland and the Northern Territory, in which the Company's key gas and oil projects are located.

KEY HIGHLIGHTS

- Drilling plans on track for June spud of ATP 814 Pilot wells in North Bowen drilling program.
- Blue progresses toward signing a drilling contract for the ATP814 Pilot well drilling program.
- Blue confirms ATP 814 North Bowen program of 1 vertical plus 4 laterals targeting Moranbah, Fort Cooper and Rangal Coal Measures.
- Safely completed initial ecological field survey work for Required Environmental Management Plan for proposed Greater McArthur 2D regional Seismic Survey in the Northern Territory

North Bowen Drilling Program: The aim of the North Bowen drilling program in ATP 814 is to convert existing contingent gas resources to gas reserves from the existing inventory of resources situated in the PL 1034 area (Sapphire Block) of ATP 814P.

The PL 1034 area is immediately adjacent to the Moranbah Gas Project which is currently a producing field operated by Arrow Energy (see Figure 1). 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. Blue is targeting multiple coal seams with the drilling program and each lateral well (up to 4 laterals) will target 1000 metres in seam length for each separate coal seam before intersecting a separate vertical well (which is designed to be the water producing well for the multiple lateral wells). All equipment and services required for the drilling of both the vertical and lateral wells has now been procured in readiness for drilling operations.

Drilling Contract Progresses toward signing: Blue Energy is progressing negotiations toward the signing of a drilling contract for the North Bowen ATP814 reserve build drilling program. Based on discussions to date it is still expected that the first well in the program will spud in early-mid June 2022.

Northern Territory Ecological Survey: Field ecological work has been undertaken and completed as input to the regulatory requirement of an Environmental Management Plan (EMP) for the proposed seismic acquisition program in Blue Energy's Greater McArthur tenements (EP 200, 205 & 207 – see Figure 6). The on ground work was undertaken along the proposed seismic lines which have previously received cultural heritage clearance/certification from the Aboriginal Areas Protection Authority (AAPA) which is an independent statutory authority responsible for overseeing the protection of Aboriginal sacred sites in the Northern Territory. The field work results are now being incorporated into the EMP.

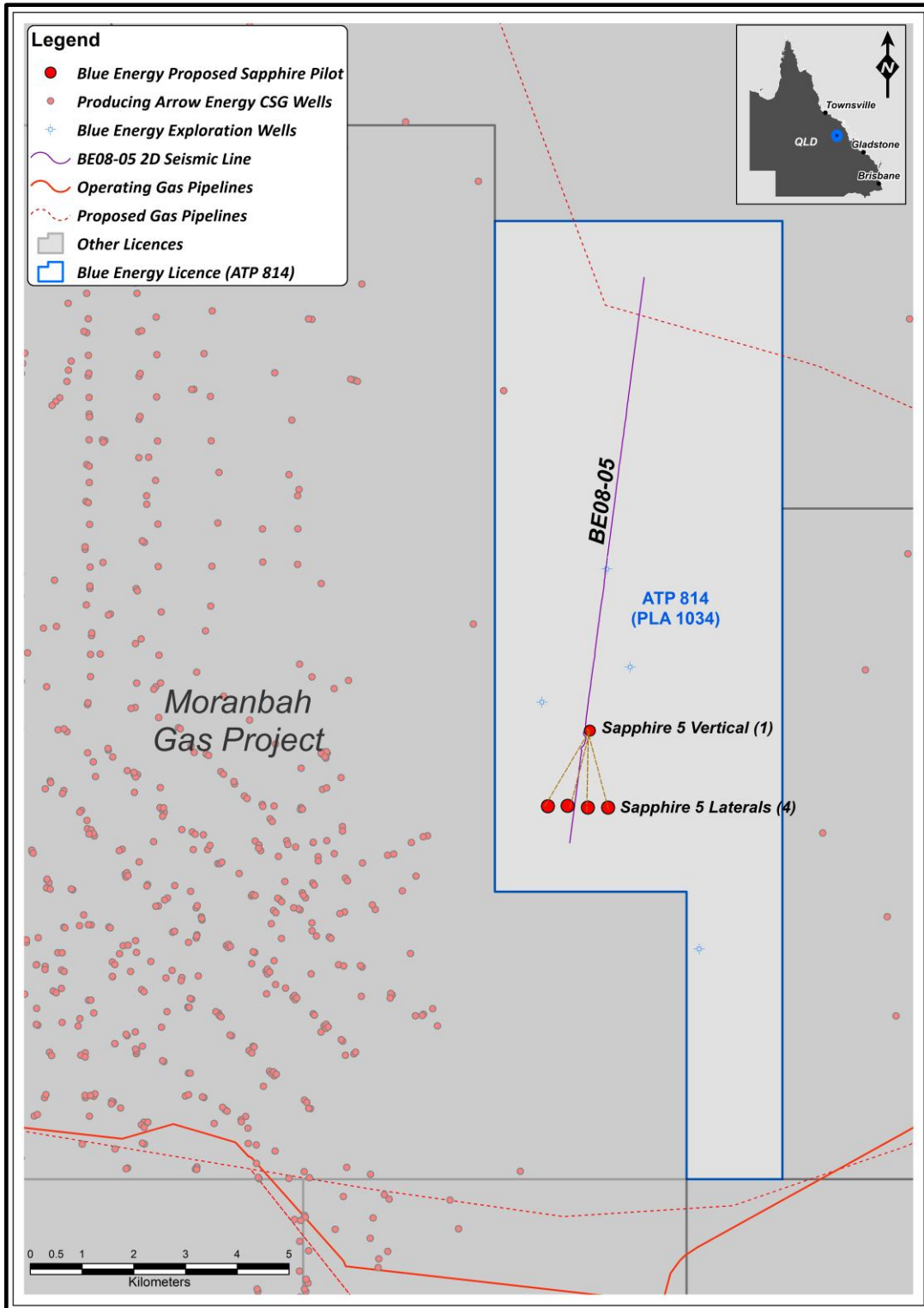


Figure 1: ATP 814, North Bowen Basin, schematic representation of Blue’s proposed well locations and the proximity of existing adjacent CSG producing wells in the Arrow Energy Operated Moranbah Gas Project

ACTIVITY IN PROVEN BASINS

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

During the quarter, Blue finalised the selection of the subsurface locations, settled on the surface locations, scouted these locations and conducted the cultural heritage survey work to enable site

preparation to commence in May. Blue is currently finalising land access agreements with the relevant landholders. All long lead time items for drilling and production testing of all 5 of the wells making up the drilling program have been procured.

The object of the North Bowen drilling campaign is to build the gas reserve base (through the conversion of 3C resources to 2P reserves) and to test the productivity of the respective target Permian coal seams. As mentioned above, Blue is finalising the negotiations of the drilling contract to commence the program by early to mid-June.

The North Bowen drilling program in PL 1034 has been formulated in conjunction with Netherland Sewell and Associates Inc of Dallas Texas (NSAI), whom Blue uses as the independent assessor and certifier for all of the Company's current oil and gas tenements.

The aim of each lateral well in this upcoming program is to remain in seam for up to 1000 metres and intersect the vertical water drainage well which is also being drilled as one of the 5 wells in the drilling program. All wells are being drilled on or close to existing seismic control and all the laterals will be drilled from a single surface pad location (see Figure 2).

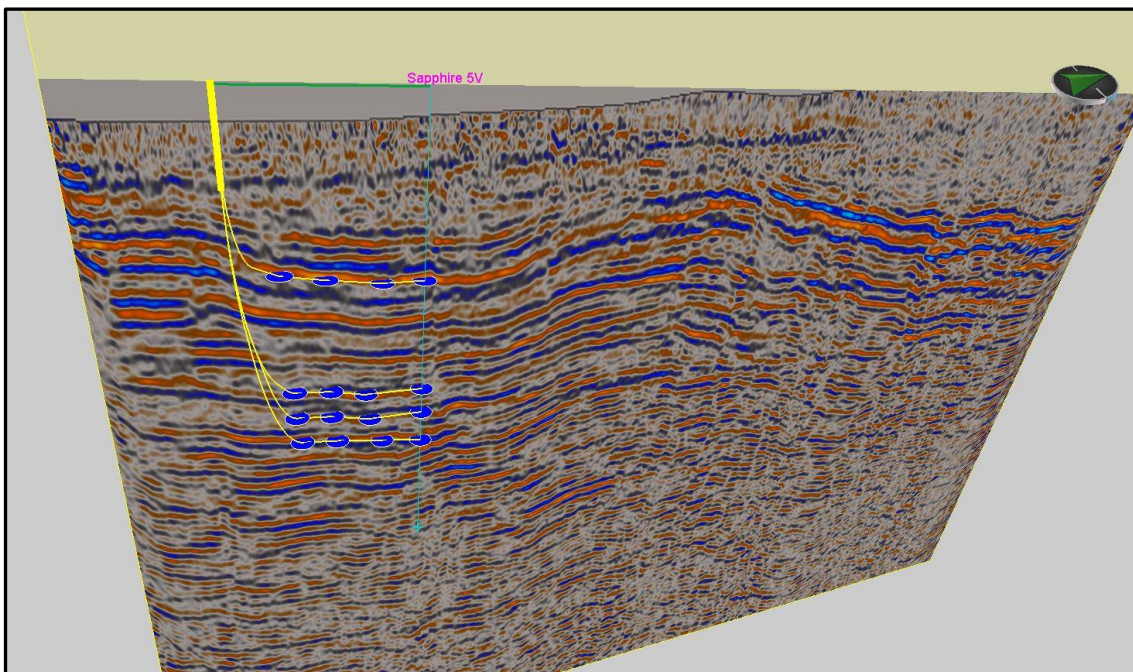


Figure 2: Blue Energy reprocessed seismic line BE08-05 Showing proposed multiple lateral well paths intersecting proposed vertical well

This well pattern is also being assessed as a potential development concept for full field development for PLA 1034, as depicted in Figures 3 & 4

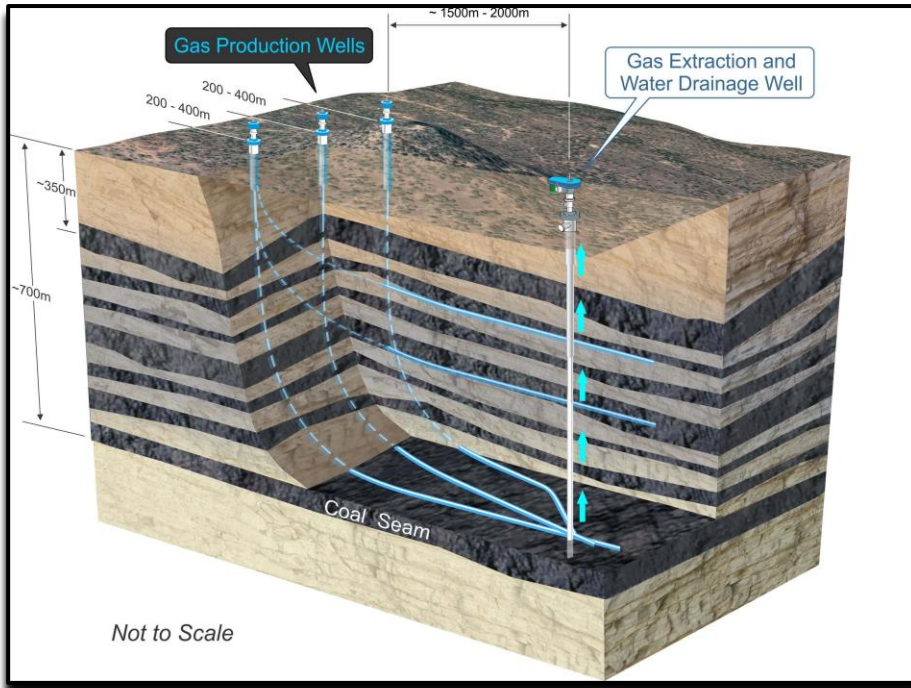
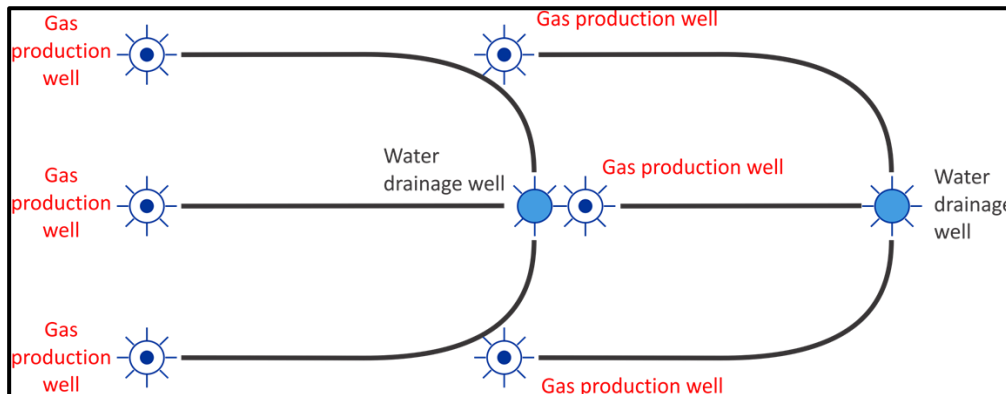


Figure 3: Schematic block diagram of well design concept for the development of the ATP 814P gas resources Source: Blue Energy Ltd.

Figure 4: Plan view of notional development concept well patterns



Source: Blue Energy Ltd.

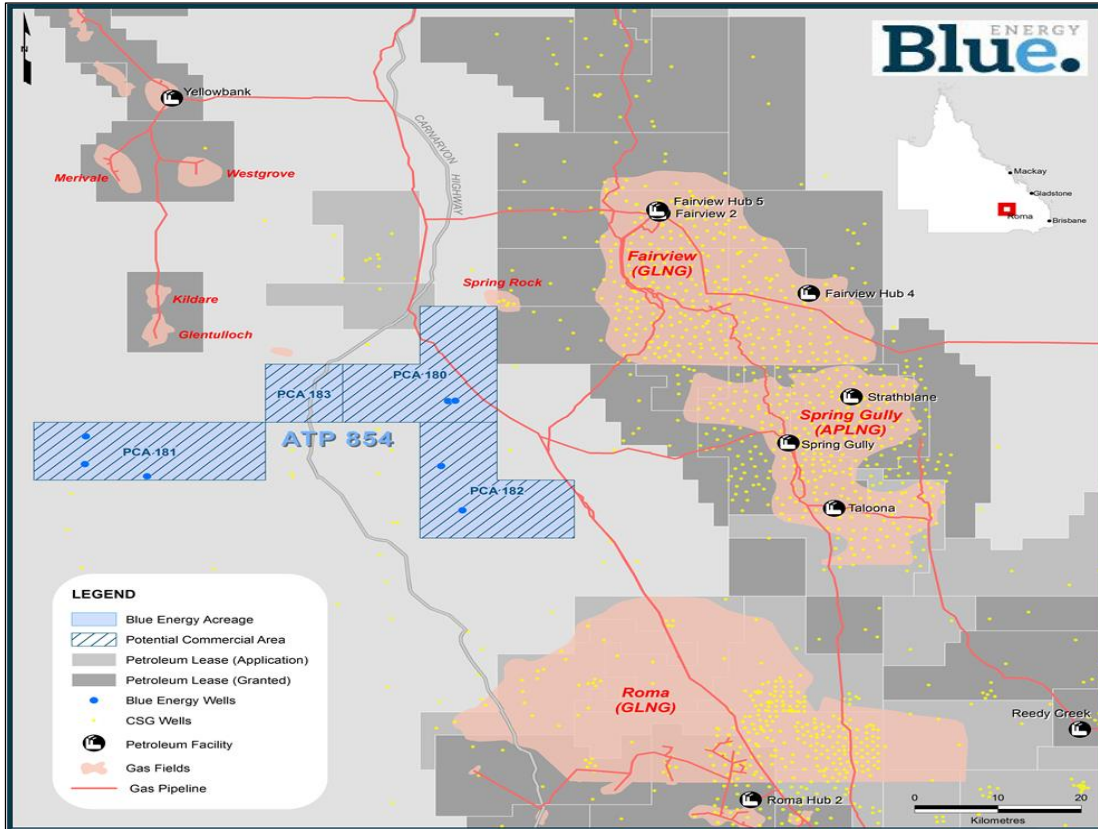
As already announced to the market, ATP 814 currently has 2P reserves of 71 PJ⁺ and 3P reserves of 298 PJ⁺ (as independently certified by NSAI) allocated to it. There is also significant upside within the constituent blocks comprising the permit with a combined 3,248 PJ⁺ of Contingent Resources in all the area held by the Company's ATP814 granted Potential Commercial Area (PCAs) and PL applications, as estimated by NSAI. There is also additional upside in the Prospective Resources category in the ATP 814 permit of approximately 2,000 PJ of gas in place.

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

As previously advised to the market, on 25 January 2022, Blue announced an approximate 300% upgrade of the recoverable gas resources to 398 PJ of Contingent Resources (3C category), in ATP 854 as assessed by the Company's independent reserve certifier NSAI. Blue 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 resource thus has clear near-term potential for economic development using this infrastructure (see Figure 5). Also as previously reported, Blue has lodged Potential Commercial Area Applications (PCAs) over the permit to allow more rapid progression of this tenure toward assessment and development of these potentially economic gas resources. Blue continues to work with the Queensland Government to secure grant of these PCAs.

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



ACTIVITY IN EMERGING BASINS

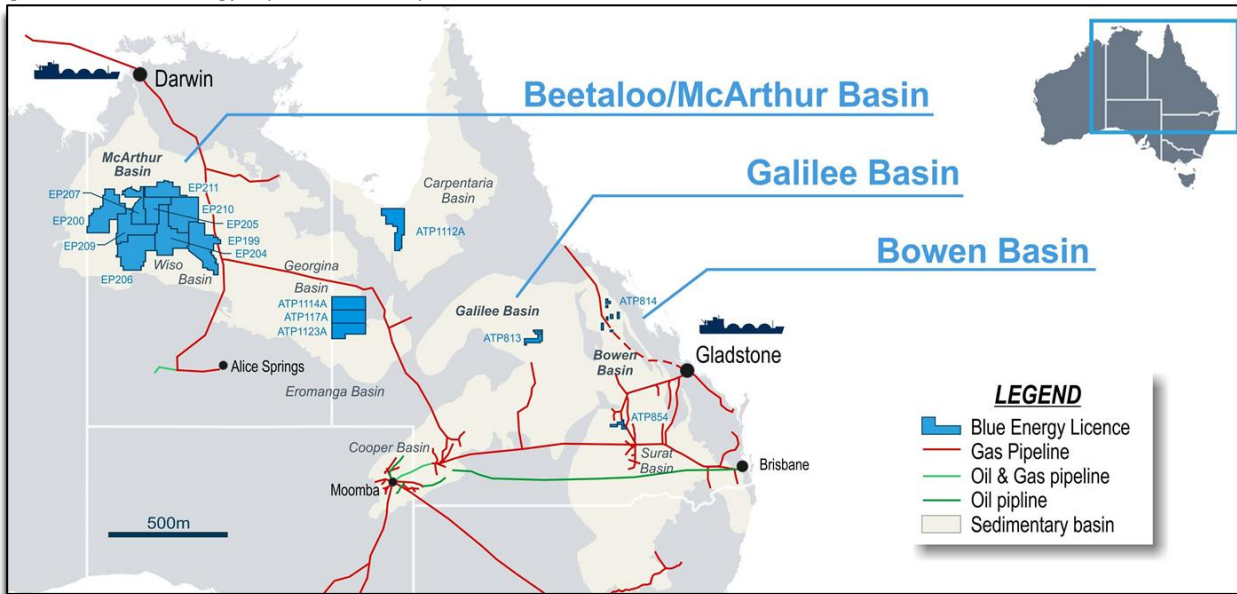
Greater McArthur Basin, Northern Territory:

(Various permits and equity levels, Blue Energy Operator: see Figure 6)

As announced previously, the Company has secured a further 12-month suspension (to 15 February 2023) of its work programs for the existing granted permits (EP 200, 205 and 207) in the Northern Territory. The protracted and continued delays experienced due to the impact of COVID-19 with respect to remote community access has severely impeded the work of the specific regulatory bodies (Aboriginal Area Protection Authority cultural heritage certification for the Company’s proposed 2D seismic program) and their work required for the approval processes required for on-ground activity. Notwithstanding this, Blue has now completed the on-ground ecological survey work required to be completed as part of the Environmental Management Plan lodgement for the contemplated regional seismic survey across the three granted tenements.

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

Figure 6: The Blue Energy exploration asset portfolio



Source: Blue Energy Ltd.

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

Blue Energy 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, a further 1,956 PJ++ of Prospective Resource (gas in place) has been identified in the permit by NSAI. The Company currently has a total of 9 separate but contiguous PCA applications over the ATP 813 permit currently with the Queensland Department of Resources for grant.

CORPORATE

Cash position

Cash on hand (at 31 March 2022) was A\$8.3 million.

The Company has nil debt.

Blue Energy’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 the salaries paid to the Executive Chairman and Managing Director).

Table 1: Blue Energy gas reserves and resources (net)

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	31/12/2012	26/02/2013	-	66	59	108	216	186
ATP814P	Central	21/12/2012	19/03/2013	-	50	12	99	75	306
ATP814P	Monslatt	31/12/2012	19/03/2013	-	-	-	619	-	2,054
ATP814P	Lancewood	30/09/2013	30/10/2013	-	5	-	23	1	435
ATP814P	Hillalong	27/02/2020	27/02/2020	-	-	-	182	-	237
ATP814P	South	30/06/2013	29/07/2013	-	15	-	27	6	30
Total (PJ)				-	226	71	1,313	298	4,476

*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 and 22 January 2022. NSAI independently regularly reviews the Company's Reserves and Contingent Resources. Mr Hattner is a full-time employee of NSAI, has over 30 years of industry experience and 20 years of experience in reserve estimation, is a licensed geologist and a member of the Society of Petroleum Engineers (SPE), and has consented to the use of the information presented herein. The estimates in the reports by Mr Hattner have been prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum and Resource Management System (PRMS) approved by the SPE, utilising a deterministic methodology.

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

** Listing Rule 5.28.2: 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

*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.

GLOBAL ENERGY COMMENTARY

The Russia-Ukraine conflict and subsequent sanctions against global Russian crude oil sales has impacted the global benchmark oil price since March 2022. Whilst the chart below (Figure 7) shows steadily climbing prices over the previous 12 months (as the pandemic slowly resolves itself and transport/travel restrictions are eased globally), the constant forecasting of developments in the conflict has seen substantial volatility in price since March 2022.

Whilst Russian oil accounts for approximately 10% of global oil production. It represents about 30% of global refining feed stock (most refineries are set up for specific crude oil physical/chemical properties and Russian crude has specific sulphur content and density characteristics that make it ideal for a lot of refineries). As a result, we have seen the resultant rise in domestic petrol prices at the pump. This has clear impacts on the cost of living and the cost of producing and transporting food and products, which in turn has inflationary impacts. In Australia the rising petrol price had a temporary reprieve with the Federal Government temporarily reducing the level of petrol excise (tax) to deliver some price relief. In the US however, where gas (petrol) prices have been escalating significantly for the last 12 months, the Biden Administration has dipped into the Strategic Petroleum Reserve, to the tune of 180 million barrels. It is unclear however, where this volume of oil is destined. What is clear is that whilst there are sanctions from the west on taking Russian crude, China has no such restrictions and are taking advantage of the large price discount for the ESPO Russian benchmark (discounted by up to US\$20/bbl to that of Brent) to purchase crude from Russia

Figure 7: Brent crude oil benchmark 12 month price



Source: <https://tradingeconomics.com/commodity/brent-crude-oil>

Figure 8: Dutch TTF gas prices



Source: <https://www.tradingview.com/chart/?symbol=NYMEX%3ATTTF1!>

The global energy focus is also on gas supply to Europe (and price impacts – see Figure 8 above) and the geopolitical and economic ramifications of gas supply shortages and disruptions. It is apparent that Russian gas is critical to the economies of most of western Europe, as can be seen from the gas pipeline map below. Should sanctions on Russian gas supply to Europe be enforced, it would see much of western Europe in dire straits for manufacturing as well as electricity generation firming for the large amount of renewables relied upon for (especially German) electricity generation. It is little wonder that much of industrialised Europe (France and Germany and Italy) is reluctant to be over eager to enforce on Russian energy sanctions, unlike the US, whose arms suppliers are cashing in. post the Afghanistan withdrawal. One of Russia’s economic responses to the west’s many economic sanctions on Russia is their new requirement for certain European buyers of Russian natural gas to pay for that gas in Roubles rather than Euros. Yesterday, Russia stopped the flow of gas to Poland and Bulgaria, who both refused to pay for gas in Roubles.



Figure 9: European oil and gas infrastructure map showing dependence of Europe on Russian supply

Another important aspect of sanctions on Russian exports is that Russia is a significant exporter of agricultural nitrogen based fertiliser. Curtailment of these exports could have a significant effect on agricultural production and therefore food supply, which, together with the disruption of the annual Ukraine harvest, would have a significant global impact.

Disruption/restriction of Russian gas supply into Europe has seen re-direction of LNG cargoes into Europe and in particular increased LNG supply from the US is becoming more significant. The overall effect of this is the impact on global spot LNG prices (JKM marker in the Asia Pacific). Figure 10 below shows the effect of the large difference between higher LNG Spot Prices, its affect on LNG netback prices at Wallumbilla and the spot domestic gas price at Wallumbilla., This shows the price arbitrage between the LNG producers supplying the domestic east coast Australian gas market or supplying the LNG spot market. At the moment there is not economic argument for them to supply the domestic market.

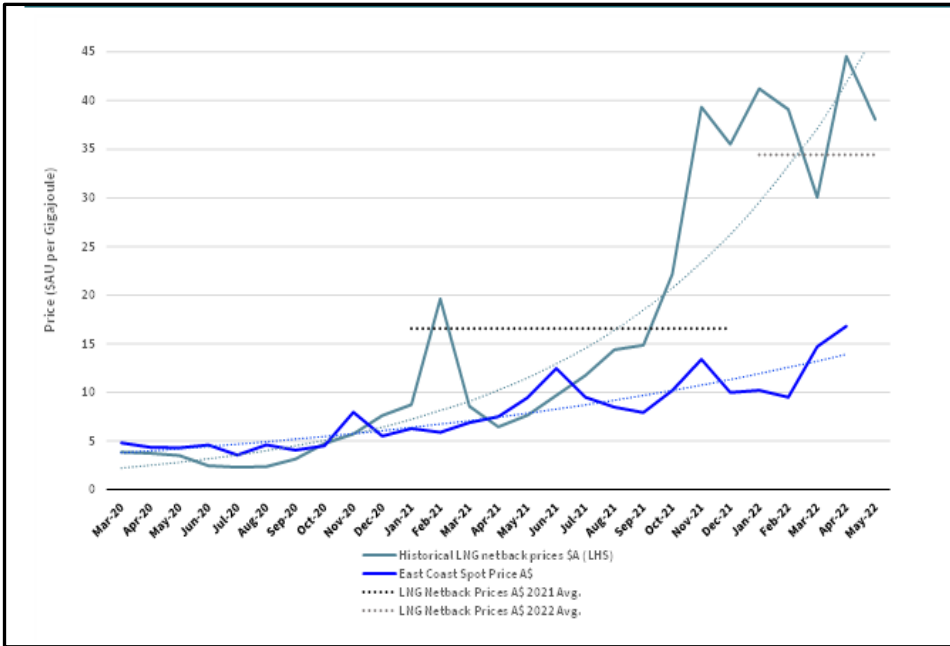


Figure 10: Comparison of Spot East Coast Domestic Gas price; LNG Netback price and JKM spot LNG price. Source ACCC, AEMO STTM

The competition for LNG supply is set to escalate, and spare liquefaction capacity will likely become a priority to fill, so that the commercial gain from the present supply tightness (and high prices) maximised. This supply shortage is likely structural given the significant global capex drought in liquefaction construction since 2016.

The significant SE Asian market will be looking for more LNG supply and as a significant portion of the China market is supplied via spot cargoes, it is expected that spot prices will continue to be robust. East coast LNG producers therefore have the choice to either service the east coast domestic market or the more profitable Asian LNG market.

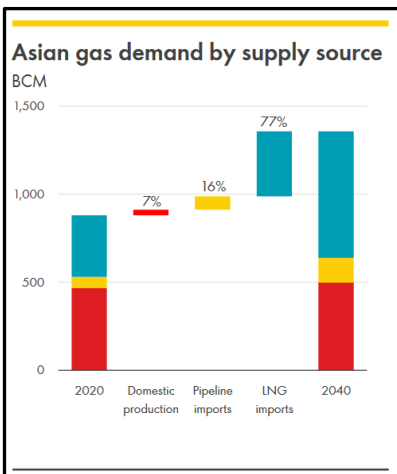


Figure 11

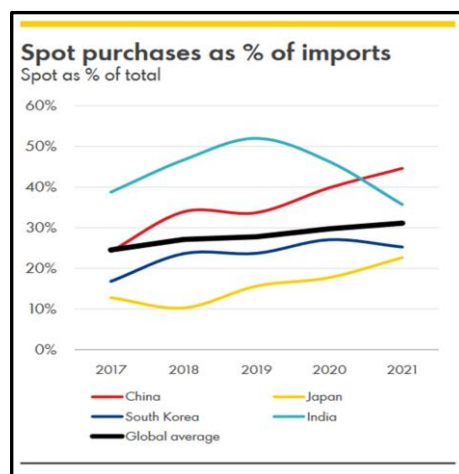


Figure 12

Figures 11 and 12: Asian Demand Growth to 2040 and proportion of spot purchases as a percent of imports

Source: Shell LNG Outlook 2022

**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")

31st March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(13)	(31)
(b) development	-	-
(c) production	-	-
(d) staff costs	(159)	(512)
(e) administration and corporate costs	(289)	(714)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	7
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)	-	-
1.9 Net cash from / (used in) operating activities	(456)	(1,250)

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	(887)	(1,898)
(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)	-	-
2.6	Net cash from / (used in) investing activities	(887)	(1,898)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	9,967
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	-	(433)
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)	-	-
3.10	Net cash from / (used in) financing activities	-	9,534

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,684	1,955
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(456)	(1,250)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(887)	(1,898)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	9,534

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
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	8,341	8,341

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	8,083	9,332
5.2	Call deposits	258	352
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)	8,341	9,684

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	104
6.2	Aggregate amount of payments to related parties and their associates included in item 2	55

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

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	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
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.	-	
Not applicable.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(456)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(887)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,343)
8.4 Cash and cash equivalents at quarter end (item 4.6)	8,341
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	8,341
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	6.21
<i>Note: if the entity has reported positive relevant outgoings (ie 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:	
Not applicable	
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:	
Not applicable	

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

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:

Not applicable

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: **29 April 2022**

Authorised by: **Managing Director**
(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.