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NATURAL GAS – Reliable, Dispatchable, Sustainable, … ESSENTIAL

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30th October 2020

QUARTERLY ACTIVITIES REPORT

To 30th September 2020

Blue Energy Limited (ASX: "BLU") is pleased to report on activities during the September 2020 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

- **Bowen Basin nominated by Federal Government as high-graded basin for new east coast gas supply. Renewed interest from gas buyers as a result**
- **Federal Government initiates East Coast Integrated System Plan for Gas (focusing on gas pipeline infrastructure)**
- **Queensland Government ear marks $5 million for Bowen Basin pipeline feasibility study**
- **Blue signs memorandum of understanding with Stanmore Coal to develop agreement to market gas from future underground coal mining project in the Bowen –and thus providing for reduced fugitive emissions and improved mine safety outcomes;**
- **Federal Government also identifies the Galilee and Beetaloo Basins as high-graded new gas supply regions – Blue has positions on both these areas;**
- **New industry drilling results continue to highlight the Beetaloo Basin's potential**
- **Total corporate gas resources position across all held acreage = 4,179 PJ+;**
- **Cash position – A$3.85 million as of 30 September 2020;**
- **The Company maintains nil debt.**

Bowen Basin Gas Supply Source

The recent Federal Budget high-graded the North Bowen, Beetaloo and Galilee Basins as potential new domestic gas supply areas, and the Treasurer allocated $28.3 million to develop strategic plans for delivery of gas from these basins. In addition to this, the Federal Budget allocated $10.9 million to identify priority pipelines and infrastructure for investment in the gas network. Also nominated was an Integrated System Plan for the gas network to compliment the recently released Integrated System Plan for electricity, revealed by AEMO back in July 2020. We anticipate this plan to be fast tracked. This is all focussed on delivering a more complete energy plan for the future, as the energy mix broadens and older infrastructure is replaced with fit for purpose connectivity to cope with the changing energy mix.

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Queensland Government $5 million Bowen Basin Pipeline study

The Palaszczuk government has allocated $5 million to undertake a feasibility study for a gas pipeline from Moranbah to the existing east coast gas pipeline network and so bring Bowen gas to the domestic market. The brief for the feasibility study is to include gathering of fugitive coal mine gas emissions as well as Coal seam Gas from the Bowen Basin gas tenements which will assist in meeting Paris targets but importantly drain gas prior to mining operations and hence improve safety outcomes in existing and future underground operations. It is expected that the scope of the study will be put to the new Queensland Natural Resources, Mines and Energy Minister shortly after the new Government's Ministry is sworn in post election.

Blue and Stanmore Coal cooperate on gas sales from ATP814

Blue Energy and Stanmore Coal Limited have executed a Memorandum of Understanding (MOU) to develop a detailed agreement for the capture, processing and marketing of mine gas that would otherwise be a waste product from the proposed Isaac Plains Underground Coal Mine project in the North Bowen Basin where it overlaps with Blue's ATP814P tenement in the North Bowen Basin of Central Queensland.

The capture and use of mine methane will mitigate venting and flaring of future fugitive gas emissions from the mine, and will not only have a positive impact on emission targets for the coal sector but also lower the risk of underground gas release in the mine and improve the mine safety profile. It will also increase the marketable volume of gas contained in the underdeveloped North Bowen Basin.

Northern Territory Activity

Activity has restarted in the Beetaloo Basin with Empire Energy drilling its Capricorn 1 exploration well and reporting the main target being intersected shallower than prognosed and accompanied by strong gas shows and evidence of liquid hydrocarbons. The well has been cased and suspended pending fracture stimulation and testing next year. Meanwhile Santos reported an average flow rate of 1.5 mmscfd from the fracture stimulated vertical Tanumbirini 1 well in the basin as part of a 9 day production test of the target zone. These are all encouraging results from a vertical well, given standard completion of Shale wells utilizes long lateral sections to improve productivity as the Federal and Northern Territory Governments high grade the basin for new gas supply.

Activity in Proven Basins

Bowen Basin, Queensland

ATP 814 (Blue Energy 100% and Operator)

Gas marketing activities, the environmental authority approval process and native title negotiations have been the main tasks undertaken in the quarter for the ATPP814 permit.

Blue has prioritised negotiations with several east coast gas buyers, in light of the elevated profile of the Bowen Gas resource and the high grading of the basin by both the Federal and State

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Governments. The potential of new infrastructure connecting the Bowen Basin to the Wallumbilla gas hub gives added confidence to gas buyers that there will be support for the development of the basin wide 15,000 PJ resource to proceed. To date Blue has had positive responses from large and small east coast buyers. Blue is seeking to agree conditional offtake agreements with major customers that could ultimately support the development of a large-scale Bowen Basin gas project which supplies gas to the Wallumbilla hub.

Work is continuing on Production Licence Applications in the permit (PL 1034, 1038 and 1045) with Blue undertaking the necessary environmental studies to be lodged with Government for grant of the respective Environmental Authorities for each Production Licence application.

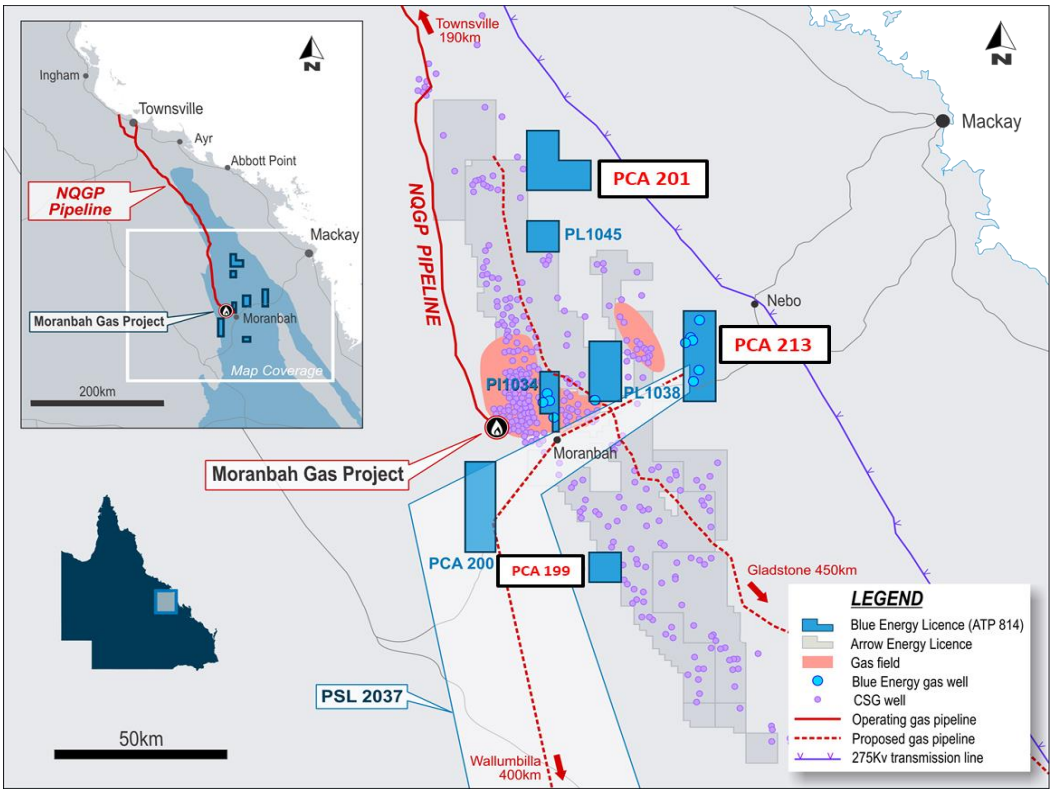


Figure 1: ATP 814 Bowen Basin Queensland showing granted PCA's together with existing PL applications and the NQGP gas pipeline to Townsville and the major High Voltage electricity transmission line between Gladstone and Townsville.

As has been previously advised to the market, ATP 814 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 in all Blue's ATP814 PCA's, estimated by NSAI. There is also additional upside in the Prospective Resources category in the ATP814 permit of approximately 2,000 PJ of gas in place.

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Surat Basin, Queensland

ATP 854 (Blue Energy 100% and Operator)

As previously advised, ATP 854 contains 103 PJ[+] of Contingent Resources and Blue has lodged Potential Commercial Area Applications (PCA's) over the Permit with the Queensland Government, to secure the tenure and allow work to be undertaken to grow the gas reserve and resource base in parallel with the continued marketing of the gas resources to potential buyers (see Figure 2).

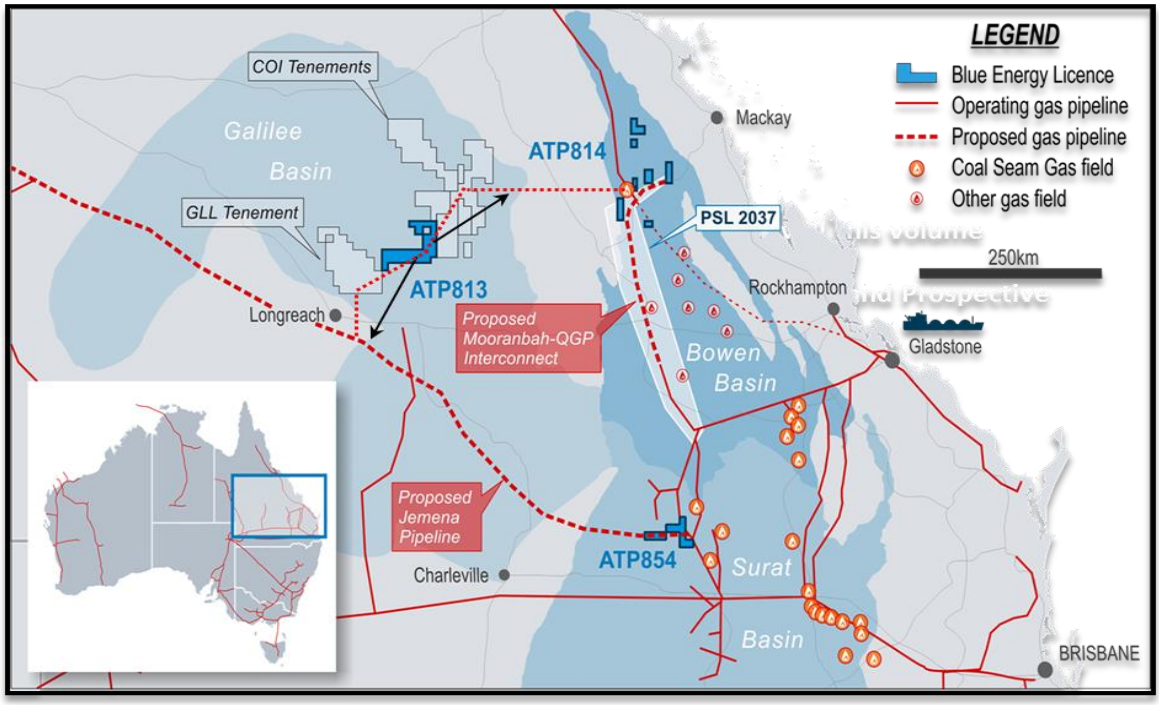


Figure 2: Pipeline routes impacting ATP 854, ATP 813 and ATP 814

Activity in Emerging Basins

Greater McArthur Basin (Northern Territory)

(Various permits and equities levels - Blue Energy Operator - See Figure 3)

The work programs of Blue's current granted permits in the Northern Territory are still in suspension due to the lengthy delays experienced in the post Pepper inquiry approval processes for oil and gas activity, and now, due to the COVID travel restrictions the cultural heritage certification work for the required 2D seismic acquisition undertaken by the Aboriginal Area Protection Authority (AAPA) has been delayed. This mandatory process is a new approval process for petroleum activity, implemented as a recommendation of the Pepper Inquiry.

Blue continues to re-engage with the Aboriginal Land Councils, Traditional Owners land owners, government departments and other community stakeholders as part of the process to establish a community licence, also required under the new approval process.

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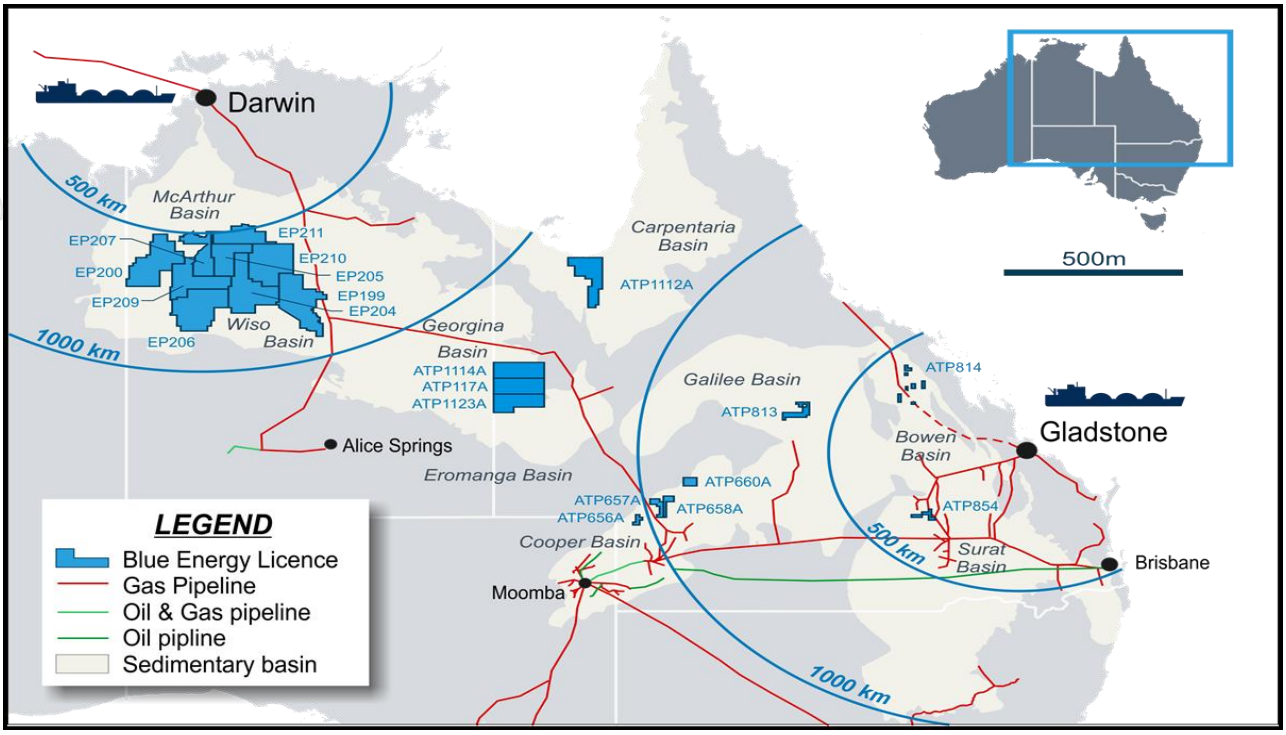


Figure 3: Blue Energy's acreage portfolio highlighting the large McArthur Basin position in the NT

Galilee Basin (Queensland)

ATP 813 (Blue Energy 100% and Operator)

The high grading of the Galilee Basin by the Federal Government adds impetus to the PCA applications currently on foot with the Queensland 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 ATP 813 (as assessed by Netherland Sewell and Associates Inc). A further 1,956 PJ of Prospective Resource (gas in place) is identified in the permit by Netherland and Sewell.

In adjacent activity to Blue's ATP 813, Galilee Energy continues to operate the Glenaras Coal Seam Gas production test pilot (in ATP 2019) with reports of continued minor gas flow and decreasing water rate from the test wells. 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 ATP 813, once the PCA's are granted by the Queensland Government.

Corporate

Cash Position

Cash on hand at 30 September 2020 was A$3.85 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 director's fees for the quarter. The aggregate amount of payments to related parties and their associates for the September quarter (shown in items

6.1 & 6.2 of the attached Quarterly Cashflow Report) relates to cash fees paid to Directors (including the Chairman and Managing Director).

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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 1: 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 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.

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Petroleum Tenements Held

Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter
ATP656	Cooper Basin (Qld)	100%	100%
ATP657	Cooper Basin (Qld)	100%	100%
ATP658	Cooper Basin (Qld)	100%	100%
ATP660	Cooper Basin (Qld)	100%	100%
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 2: Tenements in Queensland

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 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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Global Energy Commentary

Global supply and demand for oil continues to be affected by reduced global economic activity and inventory level re-balancing. Consumption has however begun to recover, with global oil consumption recovering to 95.3 million barrels/day (mmbpd) in September. This compares to average consumption of 85.1 mmbpd on the second quarter of 2020 (Figure 4).

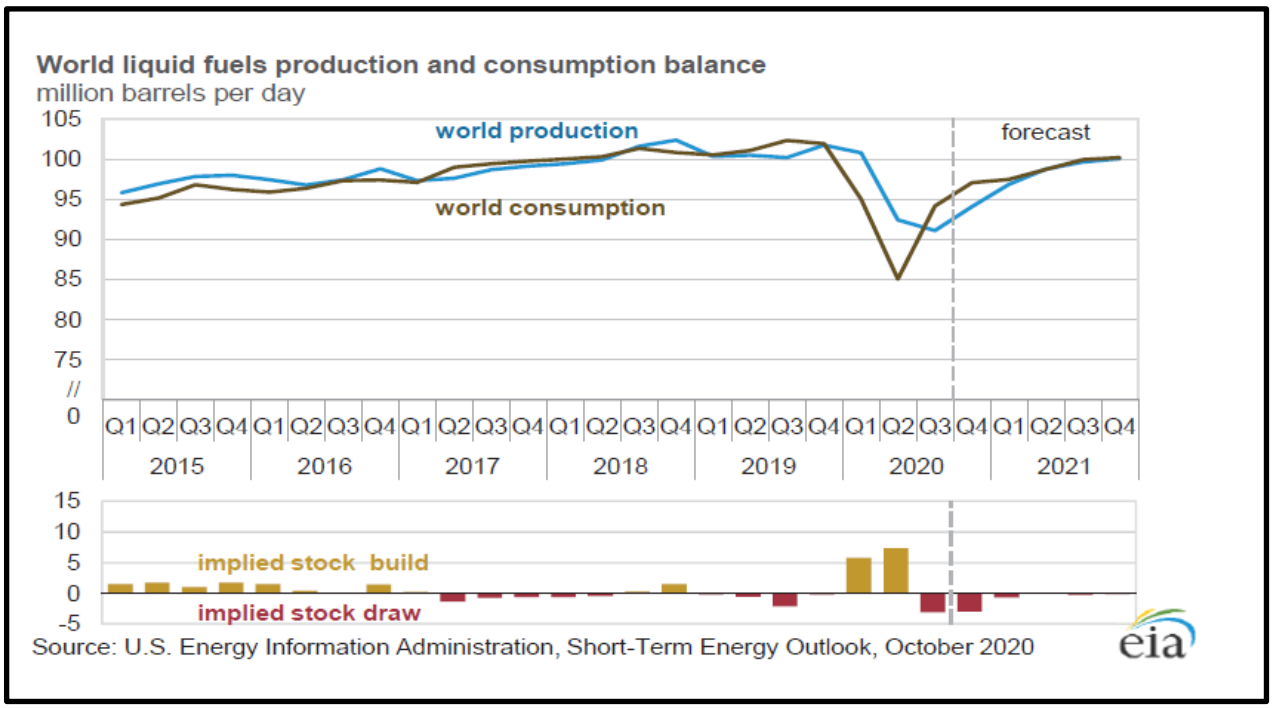


Figure 4: EIA Supply and Demand forecast as of October 2020. Source: EIA

Global inventories are returning to a more normal range of 60-65 days of supply, having reached a peak of 85 days at the height of the pandemic in March 2020. Whilst this is encouraging for oil price, the recovery in economic activity is still uncertain, as second waves of the pandemic flush through Europe and the US. The Chinese economy however has rebounded strongly with recorded growth of 4.9% between the July and September 2020.

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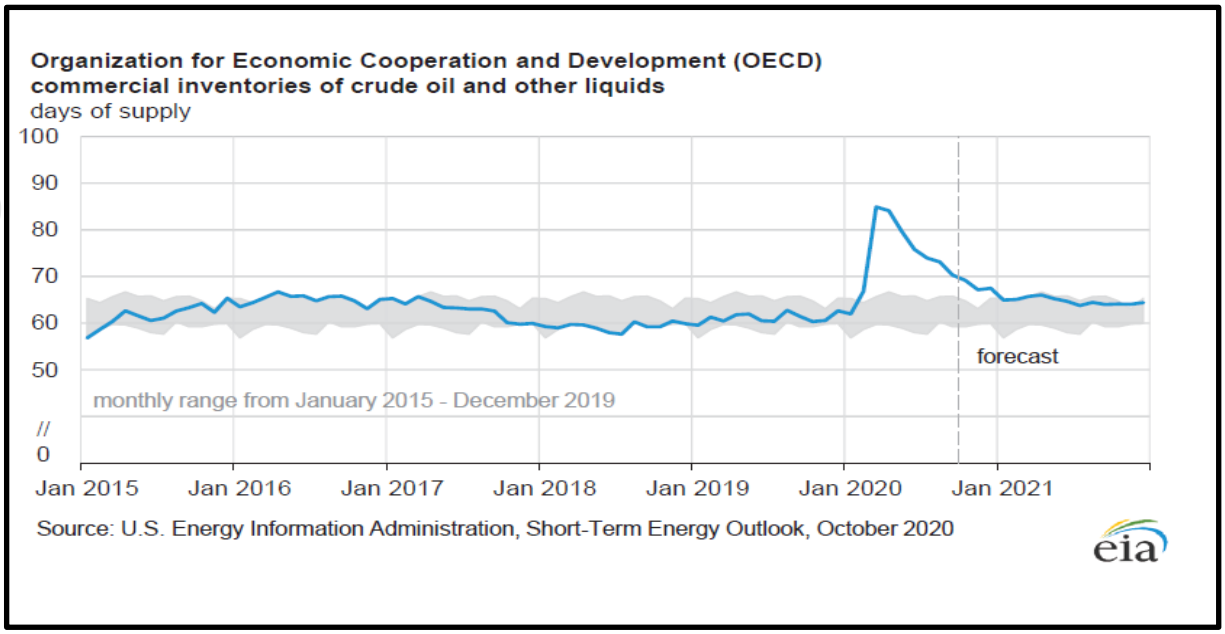


Figure 5: Crude oil inventory movements. Source: EIA

Oil trading through September was volatile, with Brent dropping to below US$40/bbl as a result of both US inventory levels and the reported potential for Libya to return some production to the supply side, which would sit outside the production agreements between OPEC and partners (Figure 6). Demand recovery stalled somewhat post August, based on second wave COVID fears across some OECD countries, hence softening crude prices based on demand fears.

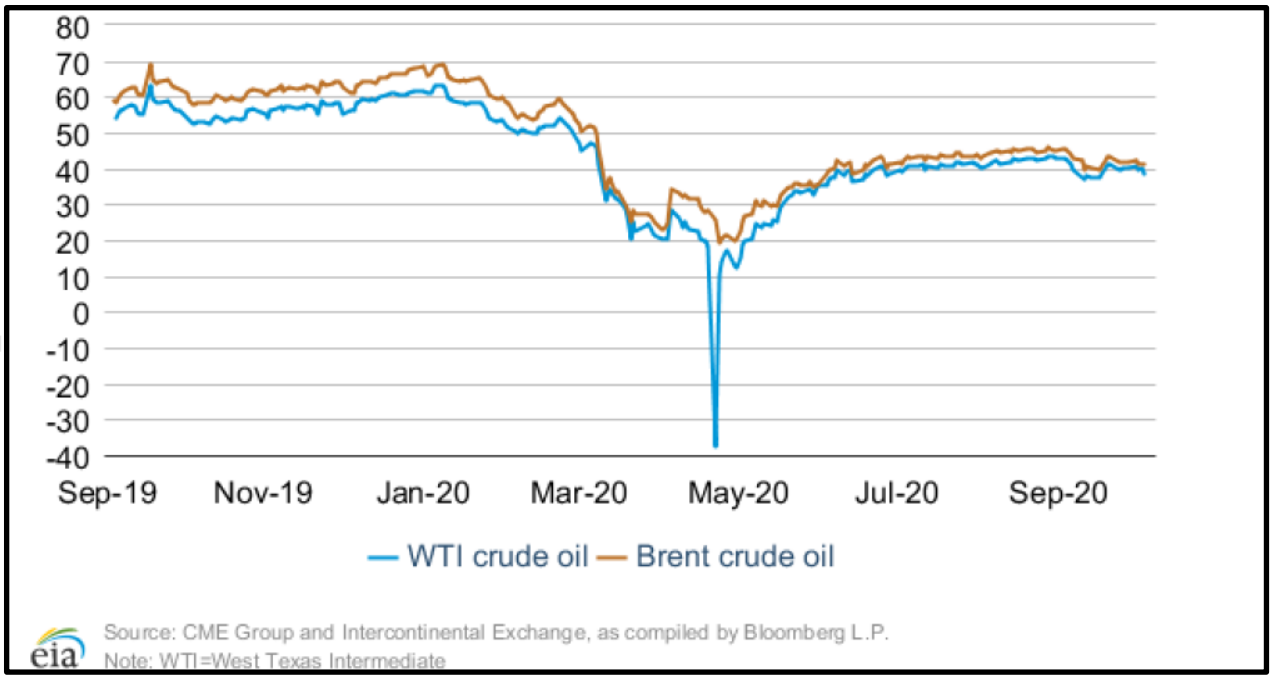


Figure 6: Crude oil prices. Source: EIA

The ACCC's LNG Netback pricing series at Wallumbilla has shown (Figure 7) a significant recovery in recent months, from a low of A$2.44/Gj in June to A$5.71 /Gj (US$4/Gj) for November 2020. This compares to the JKM spot LNG price of US$7.49/mmbtu (~A$10.00/Gj) as of 28th October 2020. For comparison, the daily price of gas in Wallumbilla on 28th October 2020 was A$6.00/Gj.

LNG spot prices are typically seasonal with prices rising in the Autumn shoulder as temperatures fall with the start of the northern winter. This is reflected in the ACCC's netback chart (Figure 7).

Long term however, growth in Chinese gas demand is likely to underpin strengthened LNG prices. Recently, a representative of China's largest natural gas supplier, Petrochina, is quoted as commenting at an industry conference that Chinese gas demand will double to 23,200 PJ/annum by 2035. This is significantly higher than Chinese demand projections proposed in recent commentary by both the IEA and BP, but in line with President Xi Jinping's stated goal of carbon neutrality. A large percentage of this growth will be sourced from outside china via LNG from LNG producers and pipeline gas imports from Russia.

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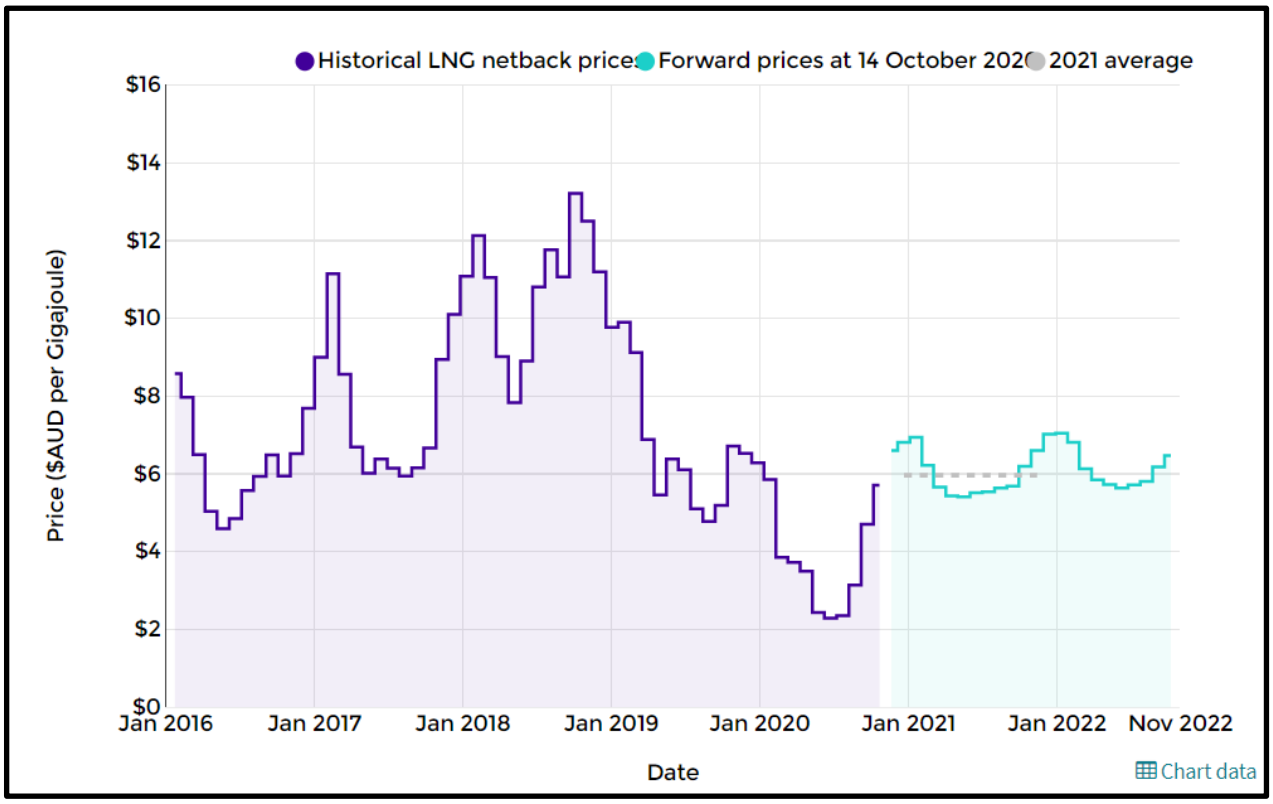


Figure 7: ACCC Netback LNG Price at Wallumbilla. Source: ACCC 16 October 2020

By Authority of the Board per:
John Phillips
Managing Director
Blue Energy Limited

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Appendix 5B

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

Name of entity

Blue Energy Limited

ABN	Quarter ended ("current quarter")
14 054 800 378	30th September 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(2)	(2)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(75)	(75)
	(e) administration and corporate costs	(185)	(185)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (Cash Flow Boost)	38	38
1.9	**Net cash from / (used in) operating activities**	**(220)**	**(220)**

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	(230)	(230)
	(e) investments		
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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**	**(230)**	**(230)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(8)	(8)
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**	**(8)**	**(8)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,036	4,036
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(220)	(220)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(230)	(230)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(8)	(8)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**3,848**	**3,848**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	3,450	3,701
5.2	Call deposits	398	605
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)**	**3,848**	**4,306**

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	74
6.2	Aggregate amount of payments to related parties and their associates included in item 2	120

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.

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7.	**Financing facilities** *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.*	**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.	

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(221)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(230)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(451)
8.4	Cash and cash equivalents at quarter end (item 4.6)	3,847
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	3,847
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	9

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.

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:

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:

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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:	

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: 30th October 2020

Authorised by: By the Board
(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.

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