

29th January 2021

QUARTERLY ACTIVITIES REPORT

To 31st December 2020

Blue Energy Limited (ASX: "BLU"), is pleased to report on activities during the quarter ended 31 December 2020, across its exploration acreage in Queensland and the Northern Territory in which the Company's key gas and oil projects are located.

Key points

- **Blue executes Heads of Agreement with EnergyAustralia for 100 PJ gas supply over 10 years.**
- **Blue maintains as a priority, the signing of further gas sale agreements.**
- **Progress being made on Queensland environmental approvals for Bowen Production Licence Grant.**
- **Queensland Government moving forward with Bowen Pipeline feasibility study.**
- **Blue granted additional work program and tenure suspensions in the Northern Territory permits, due to impact of COVID-19 on community access and approval processes.**
- **Drilling and testing results in the NT's Beetaloo Basin continue to demonstrate the Basin's potential.**
- **Total corporate gas resources position across all held acreage = 4,179 PJ⁺.**
- **Cash position – A\$3.25 million as of 31 December 2020.**
- **The Company maintains nil debt.**

Blue Energy signs HoA with Energy Australia

During the period under review, Blue Energy executed a non-binding Heads of Agreement with EnergyAustralia for the supply of 100 PJ of gas over 10 years. This is one of the larger domestic gas supply agreements to be struck over the past several years and is a foundation volume for Blue's North Bowen Basin gas project in Queensland. Blue is continuing to pursue additional offtake agreements from its ATP814 tenement. The EnergyAustralia sales volume represents just 3% of Blue's total gas resource in the North Bowen Basin assets, which have been established by the independent reserve and resource specialist, Netherland Sewell and Associates Inc (NSAI).

Blue's priority

Blue continues to engage with domestic east coast gas buyers to increase the contracted gas volumes from the Company's ATP814 North Bowen Basin permit through additional gas supply agreements.

Progress on Environmental approvals for Bowen Production Licences

Blue Energy is currently finalising with SLR Consulting, an Environmental Approval Plan for PLA1034, PLA1038 and PLA1045. Once finalised, Blue Energy will begin the required site environmental monitoring work to underpin the application for site specific Environmental Authorities (as required by the Queensland Government for the granting of the PLs). Environmental monitoring will be required throughout the calendar year, with completed EA applications expected by Q4 2021. Once submitted, the approval process by the Qld Government can take up to 12 months.

Queensland Government moving forward with \$5 million Bowen Basin Pipeline study

The Queensland Government has undertaken an initial consultation process with stakeholders regarding the feasibility of a gas pipeline from the North Bowen Basin to the existing east coast gas infrastructure. The next steps for the Government are likely to be establishing terms of reference or scope for the external resources required to undertake the study, and then seeking Expressions of Interest from external parties to provide that assistance to Government.

This is being undertaken by the Queensland Government as the Federal Government also assesses the infrastructure requirements needed to bring gas from the North Bowen (and Galilee and Beetaloo Basins) to the east coast domestic market, in accordance with the findings of the National COVID Coordination Commission's (NCCC) recommendations made to the Prime Minister last year.

Northern Territory Activity

Recent drilling and testing results by key operators (namely Santos and Origin) in the Beetaloo Basin continue to demonstrate the potential of the Proterozoic rocks in the Beetaloo and Greater McArthur Basins. Blue is moving toward regulatory approval of a regional seismic program in its EP 200, 205 and 207 permits. Regulatory approval processes relating to certification of cultural heritage over the seismic survey area (and conducted by the semi-government body, the Aboriginal Area Protection Authority – AAPA) have been impeded due to COVID remote community access restrictions. This has resulted in Blue applying for and being granted a 12 month suspension of its work program for EP's 200, 205 and 207. It is hoped community engagement activities will be able to be undertaken in the coming dry season.

Activity in Proven Basins

Bowen Basin, Queensland

ATP814 (Blue Energy 100% and Operator)

Gas marketing activities, the environmental authority approval process and native title negotiations continued to be the main tasks undertaken in the quarter for the ATP814 permit. In particular, this included the progression of Production Licence Applications PL 1034, 1036 and 1045.

As noted, Blue Energy executed during the quarter, a non-binding Heads of Agreement (HoA) with EnergyAustralia for the supply of 10 PJ of gas per annum for 10 years (ie a total 100PJ contract volume). Additional long term gas supply agreements with other domestic gas users are being

sought to underpin the development of Blue Energy's Bowen gas resources for the domestic gas market.

The high grading of the Basin by both the Federal and Queensland Governments as a new gas supply source for the east coast and therefore, the potential for 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.

As outlined earlier, work is continuing on Production Licence Applications in the permit (PL 1034, 1038 and 1045) with Blue continuing the necessary environmental studies to be lodged with respective Environmental Authority Applications for grant of the Production Licence application.

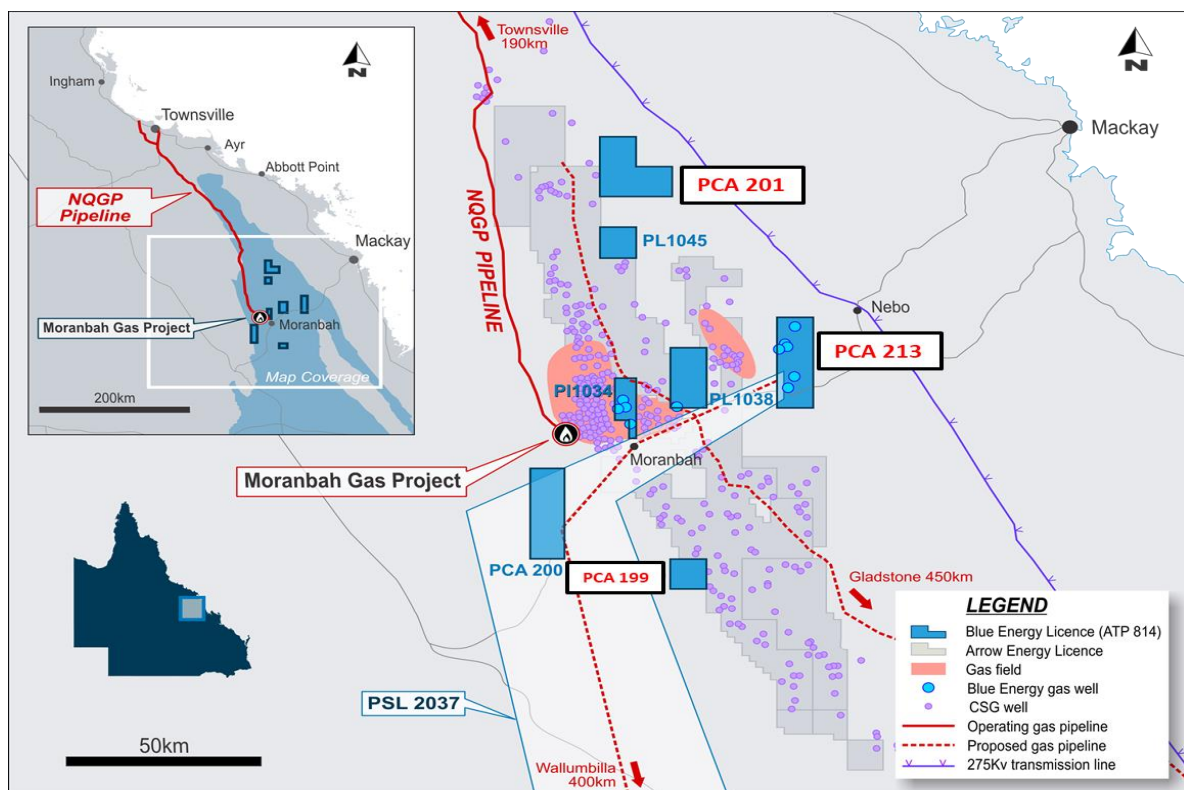


Figure 1: ATP814 Bowen Basin Queensland showing granted PCA's together with existing PL applications and the NQGP gas pipeline to Townsville and the major High Voltage electricity transmission line between Gladstone and Townsville.

As has been previously 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 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.

Surat Basin, Queensland

ATP854 (Blue Energy 100% and Operator)

ATP854 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 these resources. Award of these PCA's will 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 and in the context of existing and proposed pipeline infrastructure (see Figure 2).

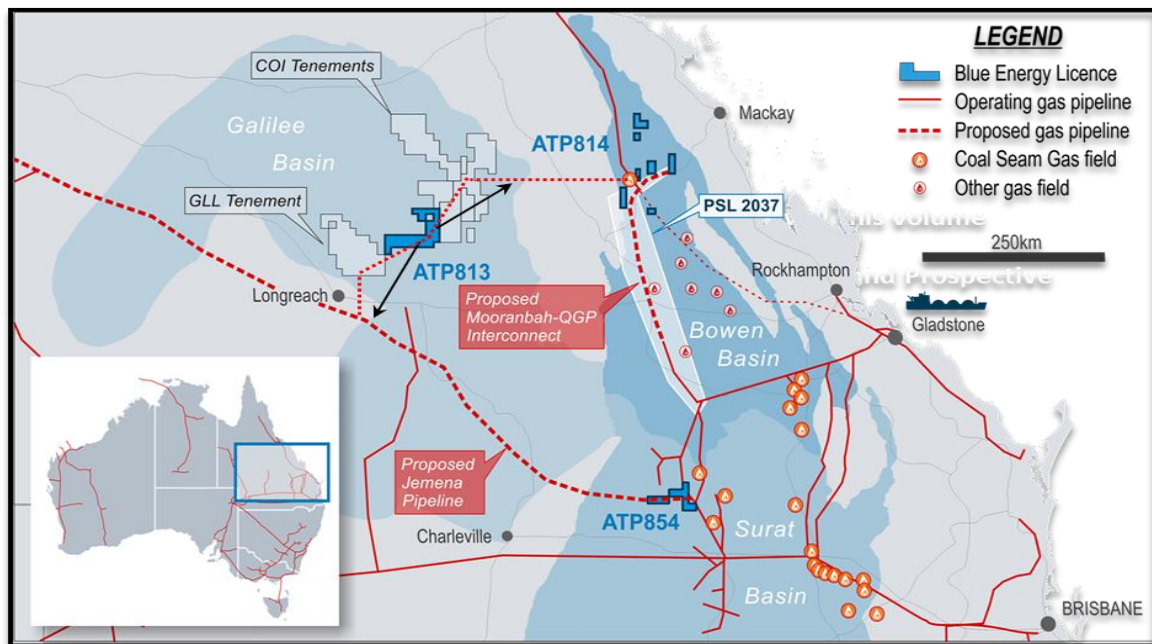


Figure 2: Pipeline routes impacting ATP854, ATP813 and ATP814

Activity in Emerging Basins

Greater McArthur Basin (Northern Territory)

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

Blue was granted a further 12-month suspension of its work programs for its current granted permits (EP 200, 205 and 207) in the Northern Territory. The lengthy delays experienced due to the impact of COVID-19 on matters such as remote community access, have severely impeded the work of the specific regulatory bodies (Aboriginal Area Protection Authority cultural heritage certification for our proposed 2D seismic program) on approval processes needed prior to on-ground activity.

Blue continues its re-engagement process with the Aboriginal Land Councils, Traditional Owners land owners, government departments and other community stakeholders on the outstanding application areas as part of the process to establish a community licence, which is required under the new approval process.

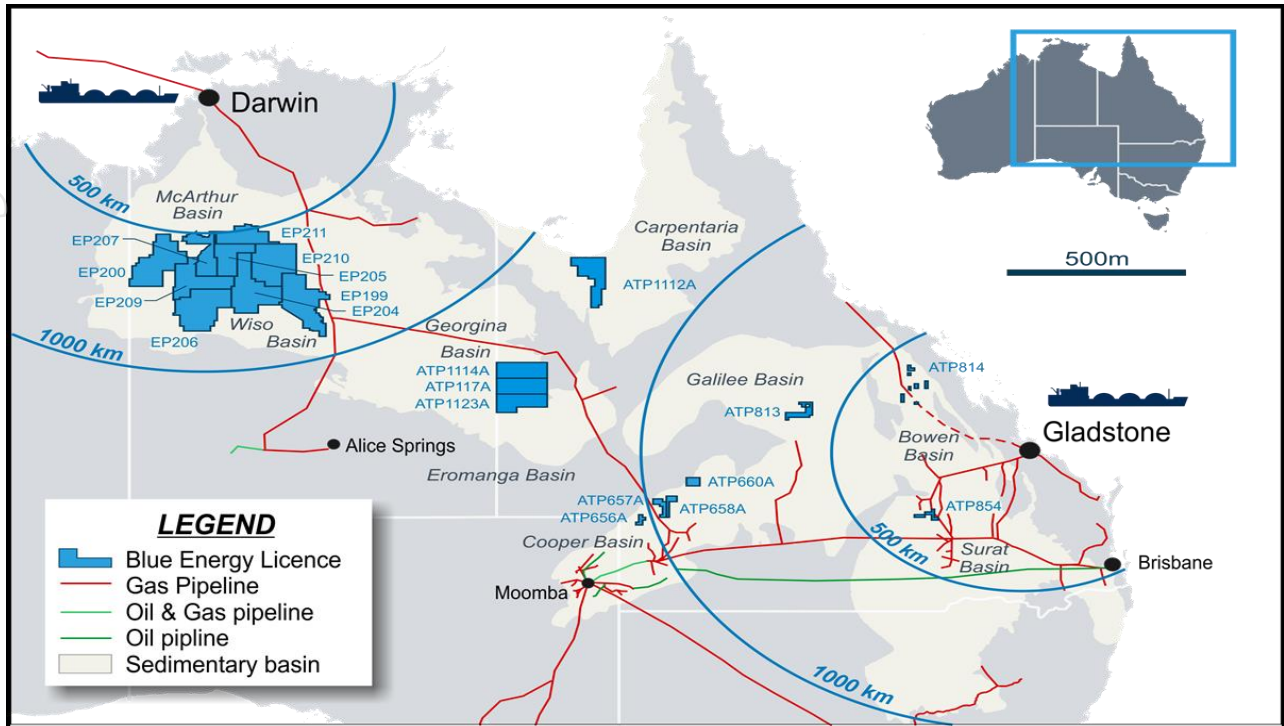


Figure 3: Blue Energy's acreage portfolio highlighting the large Greater McArthur Basin position in the NT

Galilee Basin (Queensland)

ATP813 (Blue Energy 100% and Operator)

The PCA applications lodged by Blue with the Queensland Government remain on foot. 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 ATP813 (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 ATP813, Galilee Energy continues to operate the Glenaras Coal Seam Gas production test pilot (in ATP2019). 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 (830 PJ)⁺ already recorded in ATP813, once the PCA's are granted by the Queensland Government.

Corporate

Cash Position

Cash on hand at 31 December, 2020, was A\$3.25 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 December 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).

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.

** 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.

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

Global Energy Commentary

The US Energy Information Administration is forecasting a resurgence of growth in global oil demand based on continued opening up of economies post COVID and a better balance of supply and demand as OPEC+ production cuts rebalance inventories, and consumption continues to improve. (Figure 4 and 5). Clearly this is dependent on bringing the second COVID wave under control with the widespread roll out of an effective vaccine, and the subsequent improvement of travel and trade related oil demand.

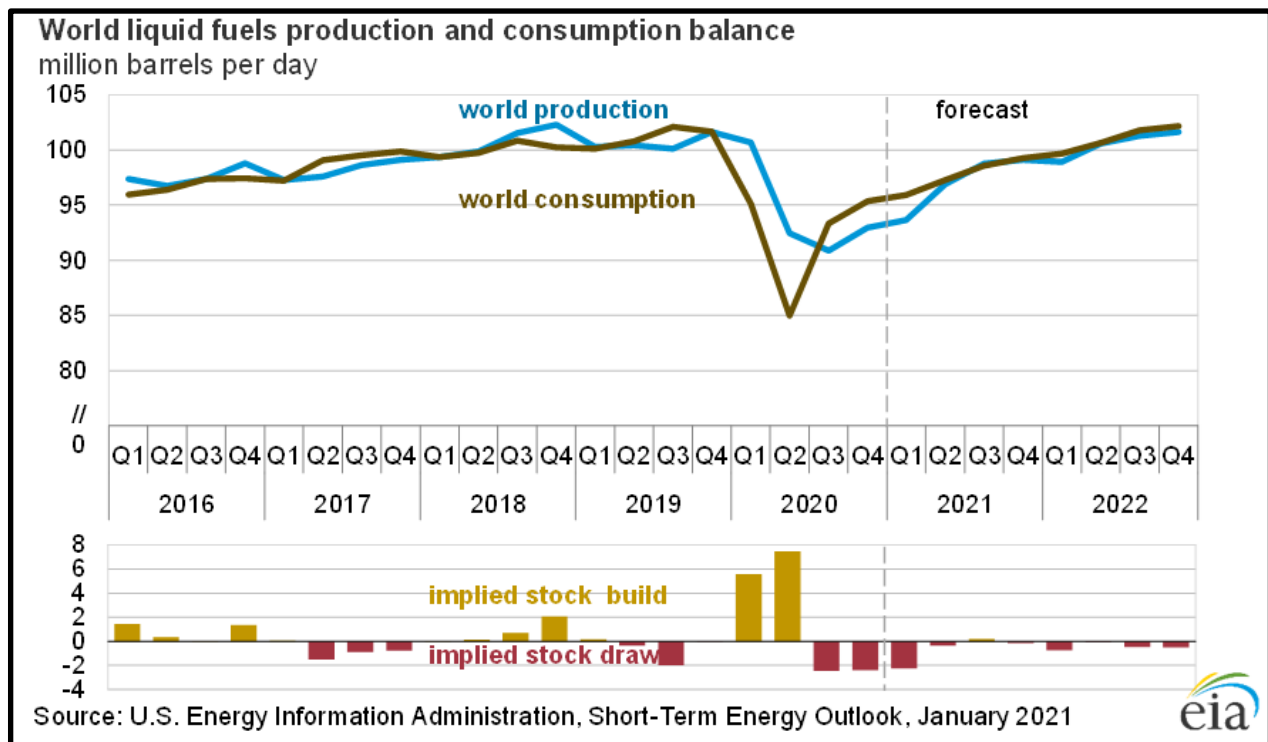


Figure 4: EIA Supply and Demand forecast as of January 2021. Source: EIA

Whilst the Chinese economy seemed to be rebounding strongly in the latter half of calendar 2020, a resurgence of COVID outbreaks in China in January this year in and around Beijing may stunt that recovery and therefore Chinese oil demand may be impacted. This demand recovery may be as volatile as the COVID case numbers.

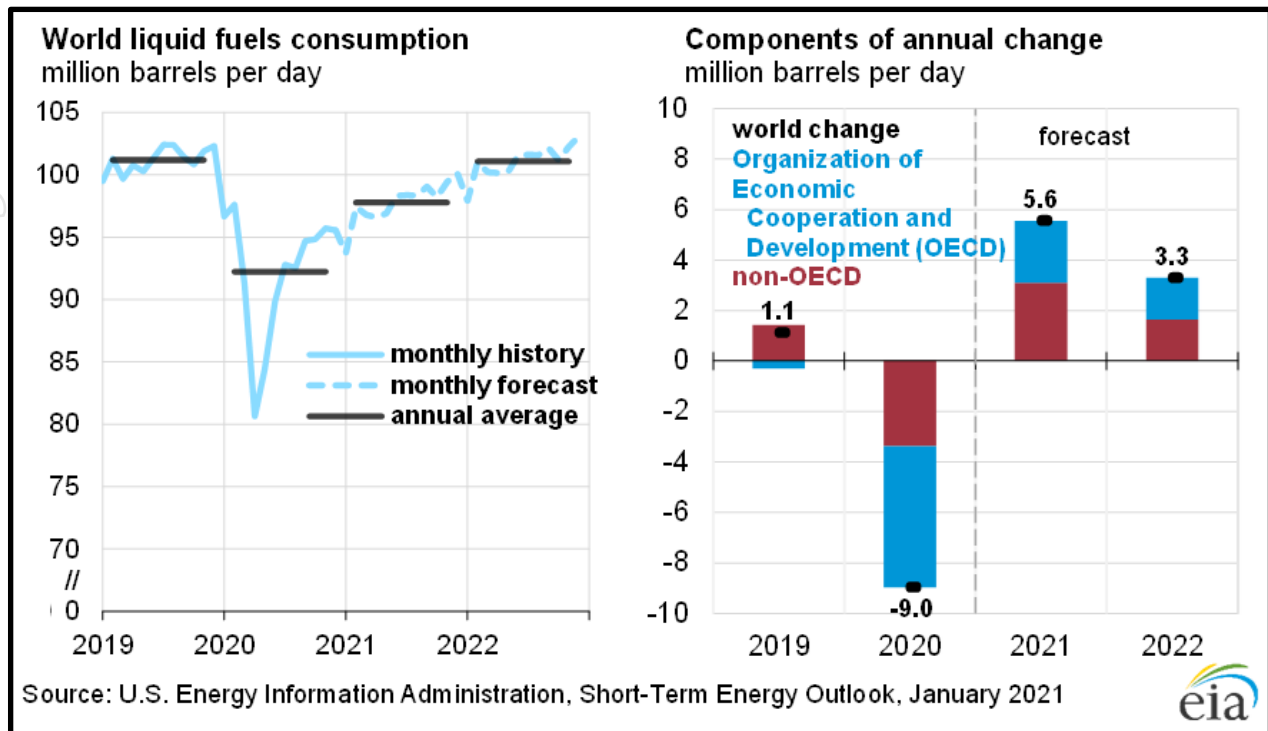


Figure 5: Forecast global liquids consumption and breakdown. Source: EIA

The change in administration in the United States may also have an impact on oil supply as available Federal land and lease sale processes appear to be in the sights of the new Biden administration together with federal environmental approvals for drilling. The DUC (drilled uncompleted) well inventory in the US will be an important metric to monitor. Drilling activity will be adversely impacted, further disrupting supply of both oil and associated gas. This may well have a price effect on WTI, which had recently been appreciating on the back of announced OPEC+ cuts.

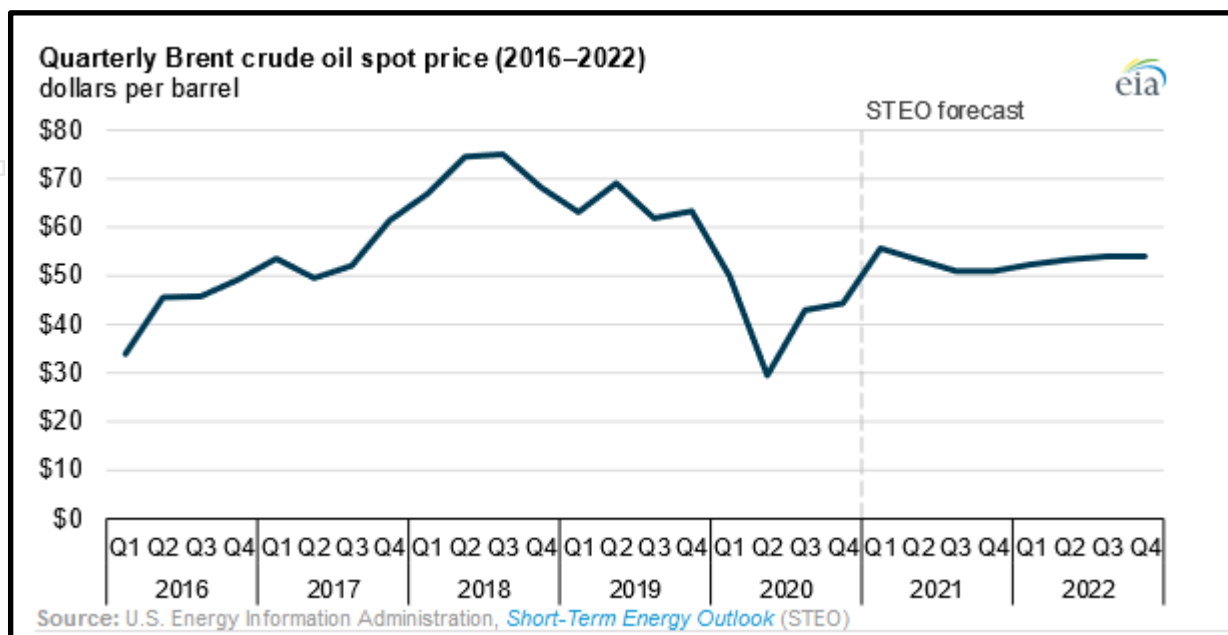


Figure 6: Brent crude oil price and forecast. Source: EIA

Whilst LNG prices have generally been suppressed most of the year as a result of linkage to oil price and lower economic output, early 2021 spot prices showed a very large spike in response to a cold northern hemisphere winter plus a relatively unappreciated reduction in supply capacity due to lack of CAPEX on new projects. The ACCC's LNG Netback pricing series at Wallumbilla had 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 and was forecasting \$6-7/Gj for January 2021 and an average price of \$6/Gj for the 2021 year. However, as described above, a large spike on the JKM spot price was observed early in January, where a price of US\$32.49/mmbtu was achieved. This left a Wallumbilla netback calculation of nearly A\$40/GJ, well above the daily Wallumbilla traded gas price of A\$6.50/GJ.

Whilst LNG spot prices are typically seasonal with prices rising in the Autumn shoulder as temperatures fall with the start of the northern winter, such a meteoric JKM price is unprecedented based on seasonal factors alone. (Figure 7).

Of significant domestic relevance is the agreement struck between the three Curtis Island LNG exporters and the Federal Government, to extend for a further 2 years, the requirement (under the ADGSM) for surplus LNG cargoes (spot) in Curtis Island to be diverted into the domestic gas market should it be required, but at international prices. This news last week riled domestic gas users and some labour unions who have been lobbying the Federal Government heavily for domestic gas reservation and price control for domestic gas.

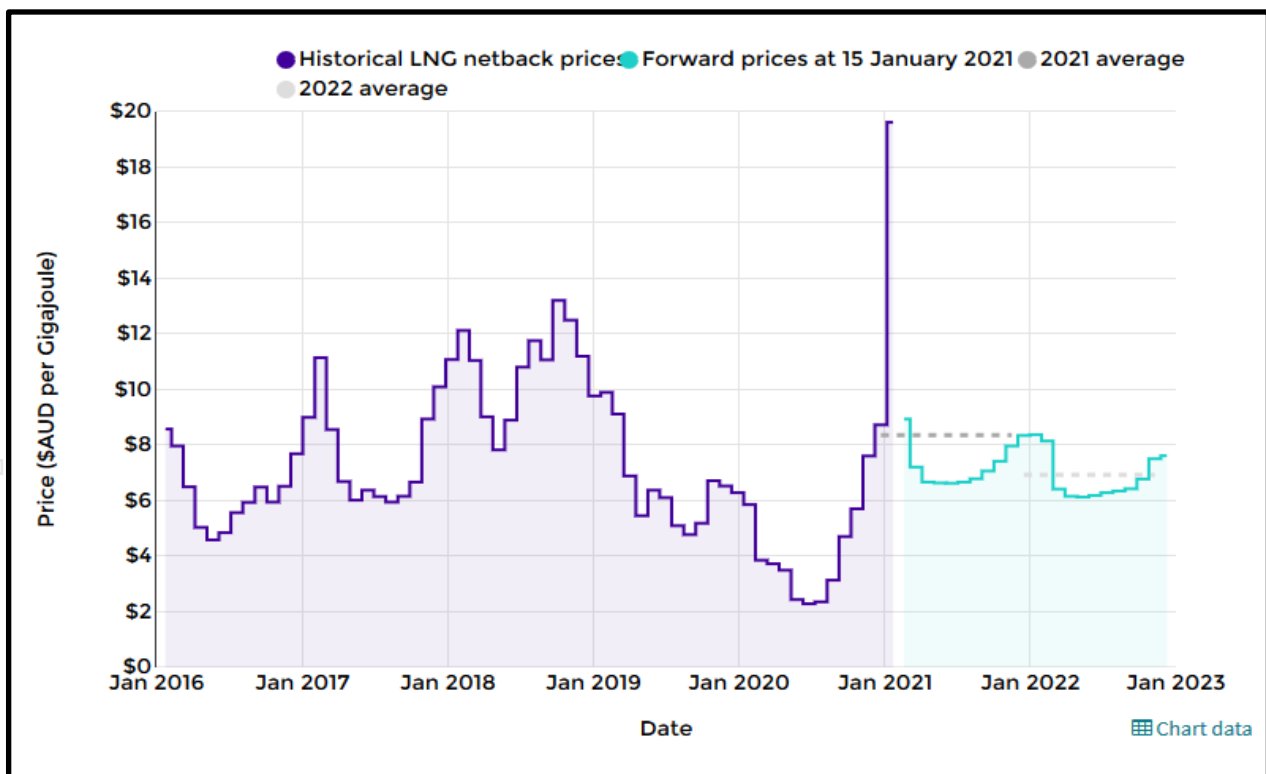


Figure 7: ACCC Netback LNG Price at Wallumbilla. Source: ACCC 18 January 2021

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 December 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(8)	(10)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(107)	(182)
	(e) administration and corporate costs	(174)	(359)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	13	17
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)	12	50
1.9	Net cash from / (used in) operating activities	(264)	(484)
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	(333)	(563)
	(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 (6 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	(333)	(563)

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)
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)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,848	4,306
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(264)	(484)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(333)	(563)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(8)

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 (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	3,251	3,251

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	2,704	3,450
5.2	Call deposits	547	398
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)	3,251	3,848

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	78
6.2	Aggregate amount of payments to related parties and their associates included in item 2	92
<i>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.</i>		

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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(264)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(333)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(597)
8.4	Cash and cash equivalents at quarter end (item 4.6)	3,251
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	3,251
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	5
<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:		
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:		

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:

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: .29th January 2021.....

Authorised by: .the Blue Energy Limited 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.