

28 July 2017

## QUARTERLY ACTIVITIES REPORT

To 30<sup>th</sup> June 2017

**Blue Energy Limited (ASX: "BUL")** is pleased to report on activities during the June 2017 quarter across the proven and emerging basins in Queensland and the Northern Territory in which the Company's key gas and oil projects are located.

### Key points on latest progress

- **Development Plan and Production Licence Application for the Sapphire Project lodged with Government**
- **Blue Energy and APA Group execute MoU for Bowen Gas Pipeline**
- **Blue lodges Potential Commercial Areas over ATP854 P**

These events mark significant milestones for Blue, as they secure tenure over existing reserves, and demonstrate a path to market for the Company's gas reserves and large contingent resource base. These are three of the four target activities Blue management undertook to complete during the current calendar year. The remaining task is to commercialise the gas reserves through executing a gas sale agreement. This project is currently receiving management's full attention.

### **ATP814P**

#### **Development Plan and Production Licence - Submitted**

The Development Plan for Blue Energy's Sapphire Coal Seam Gas (CSG) resource has been submitted to the Queensland Department of Natural Resources and Mines (DNRM) as part of the Production Licence Application for the Sapphire Block of ATP814P. The plan is designed to initially develop the Sapphire Field, but has the capacity to be extended to include the large contingent resource base in Blue's broader ATP814 permit. The Application dovetails with activities (described below) to bring Blue's gas to the southern market via a Bowen Basin Pipeline.

#### **Blue Energy executes MoU with APA Group for Bowen Gas Pipeline**

As conveyed to the market on the 20th June 2017, Blue Energy and the APA Group have executed a Memorandum of Understanding to investigate the feasibility of constructing a pipeline linking Blue's Bowen Basin gas resource to APA's gas pipeline network. The elements of the non-binding MoU include the option for APA to build, own and operate the infield gas gathering network and gas processing facilities. The MoU also contemplates further negotiation between APA and Blue to execute a binding Gas Transport Agreement.



## National Energy perspective

The Nation's energy policy remains in disarray.

There is no apparent coherent national vision or strategy for the provision of reliable, affordable, secure, on-demand energy to our industries, our homes, our mining operations, our national trucking fleet or our defence forces.

On the premise that there is a need to reduce our emission of carbon dioxide, policy makers have encouraged the installation of large scale wind and solar generation capacity. This has occurred at the deliberate expense of the existing baseload capacity. Not surprisingly, and as a result of the Renewable Energy Target regulations, and the characteristics of the wind and solar output (ie maximum output between 9 am and 3pm), and their preferenced dispatch rules, baseload generators struggle to remain economic, and are not set up to deal with the distorted daily peak demand profiles being experienced. These new electricity demand profiles are, however, ideally suited for rapid response gas fired generation capacity and it is therefore envisaged that there will be more demand for gas as the percentage of renewable energy increase and are required to offer back up capacity to stabilize the grid inputs.

The recently released final report of the Independent Review into the Future Security of the National Electricity Market, (The Finkel Review) fails to address the distorted energy markets (it adds to it with the notion of a Clean Energy Target) or the lack of new exploration bringing more gas supply to the market. Rather, it looks to add another layer of bureaucracy to an already ineffective system.

The politics must be removed from the energy issue, and a small advisory group of eminently qualified, independent and competent people with energy industry experience should be assembled to develop a cohesive long term energy vision and strategy to ensure the energy security of this nation can be met. This energy vision should be predicated on a sensible energy mix that plays to this nation's strengths, whilst having an eye to the future.

**Proven Basins**

**Bowen Basin, Queensland**

**ATP814P (Blue Energy 100% and Operator)**

This permit currently has certified 2P reserves of 71 PJ and 3P reserves of 298 PJ (as independently estimated by Netherland, Sewell and Associates (NSAI)). It consists of 7 separate blocks, with the Sapphire Block holding the majority of the 2P and 3P reserves. There is also significant upside within the other constituent blocks comprising the Permit with a combined 3,011 PJ of Contingent Resources estimated by NSAI.

With the addition of Blue Energy’s gas reserves and resources, the Bowen Basin holds in excess of 11,000 PJ of gas resource which if developed and brought to market can provide a timely solution to the East Coast gas shortage in the medium and longer term.

Following the submission of the Field Development Plan and the Petroleum Licence Application for the Sapphire Block, the Company can further secure Blue’s contingent resource base with additional applications for Potential Commercial Area status over the other blocks (Monslatt, Central and Lancewood blocks-see Figure 2).

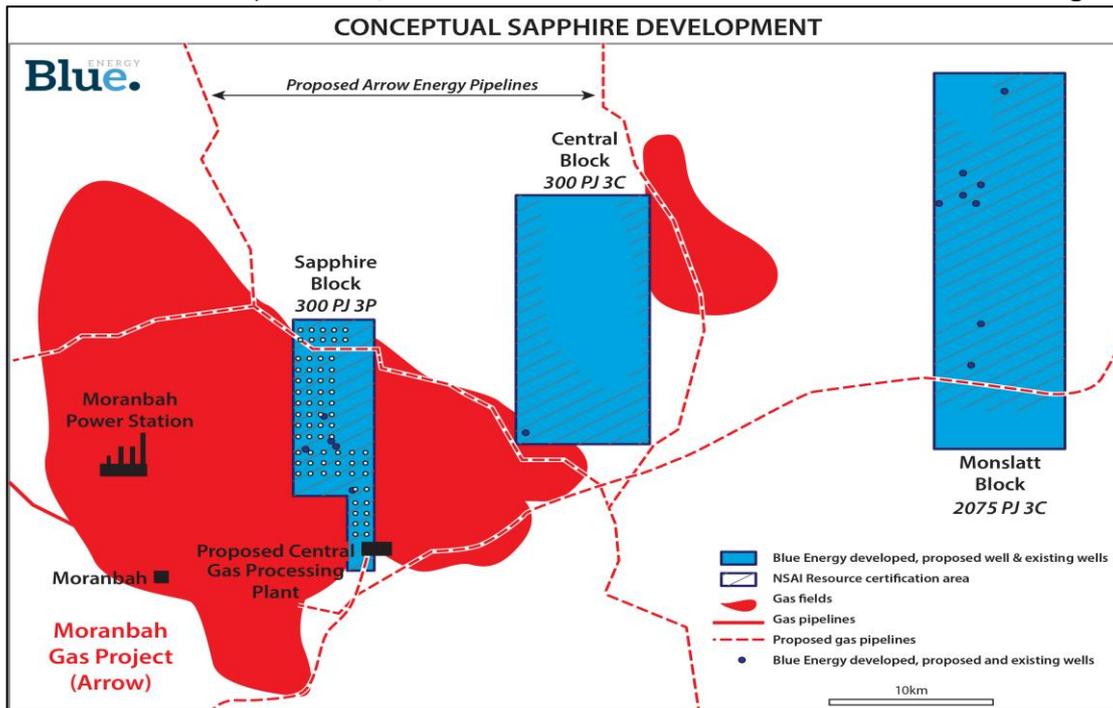


Figure 2: ATP814P Bowen Basin Queensland and conceptual well locations for Sapphire Development. Blue has 3,011 PJ of Contingent Resources plus 2P and 3P reserves

**Bowen-Surat Basins, Queensland**

**ATP854P (Blue Energy 100% and Operator)**

This permit lies immediately west of the main gas fields supplying APLNG (Spring Gully) and GLNG (Fairview) – see Figure 3. Blue currently has 103 PJ of Contingent Resources in this permit (as per NSAI estimates). Gas export infrastructure also runs through the permit, giving access to both Wallumbilla and Gladstone.

Blue has lodged applications for the declaration of Potential Commercial Areas over the permit which will secure the acreage and allow work to be undertaken to grow gas reserves and resources in parallel to the continued marketing of the gas resources to potential gas buyers.

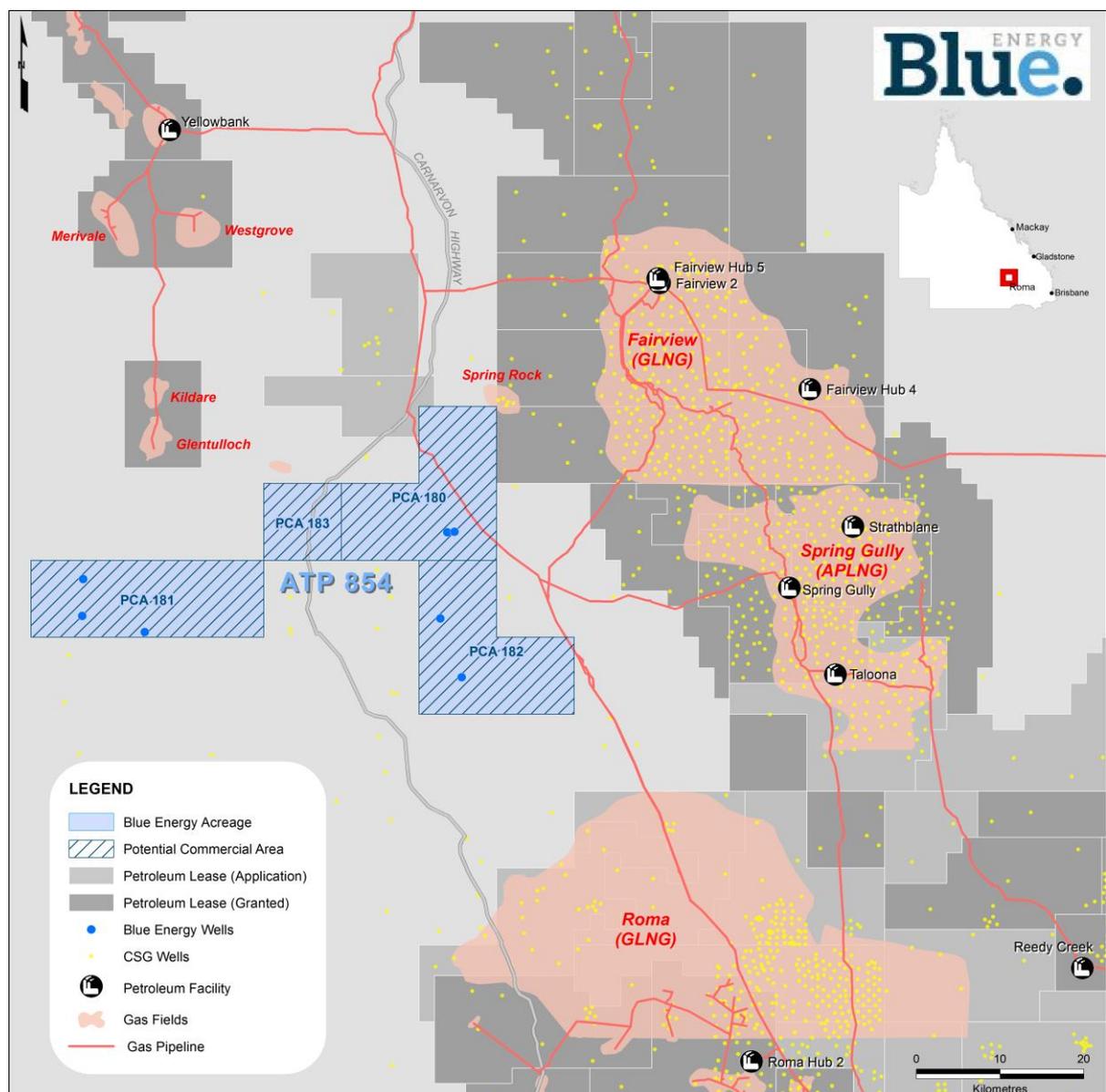


Figure 3: ATP854P Surat/Bowen Basin

## Emerging Basins

### Greater McArthur Basin

#### (various permits and equities levels - Blue Energy Operator)

A draft report from “The Scientific Inquiry into the Hydraulic Fracturing in the Northern Territory” was released early in July 2017. Its contents indicate that in most cases, the panel requires more information and/or data to form a view on the specific risks associated with the industry. To that end, the Inquiry Panel will be conducting more meetings throughout out the NT through to early September, with a final report anticipated by year end 2017.

Blue Energy’s permits have been placed into suspension, at the request of the Company, until such time as the NT Government indicates the stance it will take toward hydraulic fracturing.

## CORPORATE

### Cash Position

Cash on hand at 30 June 2017 was \$2.5m.

### Cost Reduction

Blue Energy continues to steward its available cash and find ways to reduce overheads. This continues to be a priority for management.

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	South	30/06/2013	29/07/2013	SPE/PRMS	NSAI	0	15	0	27	6	30
<b>Total (PJ)</b>						<b>0</b>	<b>158</b>	<b>71</b>	<b>984</b>	<b>298</b>	<b>3,942</b>
<b>Total MMBOE</b>						<b>0</b>	<b>27</b>	<b>12</b>	<b>168</b>	<b>51</b>	<b>672</b>

Table 1: Blue Energy net Reserves and Resources

## Competent Person Statement

The estimates of reserves and contingent resources have been provided by Mr John Hattner of Netherland, Sewell and Associates Inc (NSAI). NSAI independently reviews at least quarterly 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 report 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.

### Petroleum Tenements Held

Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter
ATP613P	Maryborough Basin (Qld)	100%	100%
ATP674P	Maryborough Basin (Qld)	100%	100%
ATP733P	Maryborough Basin (Qld)	100%	100%
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 3: Exploration blocks Blue is farming into

Note 1: Subject to Farm in Agreement which upon completion will result in Blue Interest becoming 50%

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