

8 October 2019

ASX Announcement

Memorandum of Understanding signed to bring new domestic gas supplies to the North Queensland market

- **Blue Energy** signs MOU with North Queensland Gas Pipeline owner **Palisade** to bring new domestic gas supplies to the North Queensland market
- **Supply source- 216 PJ of 3P reserves in Blue's ATP 814P Sapphire Block**
- **Bowen Basin is the lowest cost east coast gas province for the development of 2C resources¹**
- **15,000 PJ** of gas is estimated in the Northern Bowen Basin Gas Province: equivalent to **30 years of gas supply for eastern Australia at current demand**
- **3,248 PJ** of the 15,000 PJ in the Northern Bowen Gas Province are owned by Blue Energy
- **Blue continues to progress the southern pipeline route option**

Blue Energy Limited (**ASX: BLU**) is pleased to advise that it has signed an MOU with North Queensland Gas Pipeline (NQGP) owner **Palisade Investment Partners (Palisade)** to facilitate bringing new domestic gas supplies into the strong Townsville market through the NQGP.

Palisade's NQGP is North Queensland's only source of natural gas. The 391km onshore natural gas pipeline system transports gas from the Moranbah Gas Project in the Bowen Basin to power and industrial users in Townsville, Queensland.

As part of the MOU, both parties will market Blue Energy's Northern Bowen Basin gas reserves in the Sapphire Block, which is located in close proximity to the NQGP and also the agreement will seek to obtain access to the existing Moranbah Gas Project (MGP) and gas processing facilities.

This MOU will expedite the supply and delivery of new affordable domestic gas to North Queensland gas users (and facilitate the development of the Sapphire reserves), who are seeking to secure long-term reliable and affordable domestic gas supply as a primary energy source or as feedstock for manufacturing.

Blue Energy Chairman, Mr John Ellice-Flint, said "It is pleasing to be able to develop this opportunity to bring new domestic gas supplies to market given the Australian Energy Market Regulator (AEMO) forecast of gas shortages for the east coast domestic market, together with price escalation.

"The development of new domestic gas supplies to North Queensland will deliver regional economic growth opportunities through new industries such as the Imperium3 Townsville consortium's proposed \$3 billion 18 GWh lithium-ion battery cell manufacturing facility in Townsville. Imperium3 Townsville recently completed a Feasibility Study which has been submitted to the Queensland Government². With the potential re opening of Queensland Nickel at Yabulu in Townsville³ both projects will require substantial domestic gas supplies.

“Thousands of new jobs in North Queensland depend on reliable and affordable domestic gas supplies over the next 30 years and Blue Energy is determined to play a major role in supplying domestic gas to meet this demand. The royalties paid on domestic gas production flow to the Queensland Government”.

¹AEMO Gas Statement of Opportunities supply input data files (March 2019) ²Magnis Energy Technologies ³Courier Mail 3.10.19

BACKGROUND

New domestic gas supply for the Townsville market would initially be drawn from Blue Energy’s ATP814P Sapphire Block which has been independently assessed to contain nearly 216 PJ of 3P reserves and a further 186 PJ of Contingent Resource, and is located only 12 km from the existing Moranbah Gas Project gas processing facilities and less than 2 km from gas field gathering infrastructure.

The broader Northern Bowen Basin Gas Province has a discovered resource of approximately 15,000 PJ of gas which is sufficient to underpin the east coast domestic gas market for the next 30 years, based on current market conditions. Blue’s component of this estimate is currently 3,248PJ. Development of this Basin-wide resource and a single large diameter multi-user gas trunk line connection to the south would provide security of supply for east coast manufacturers and with this additional supply, will put downward pressure on prices. The additional gas availability would also generate the expansion of industry in the greater North Queensland region.

In this regard, Blue has received Queensland Government approval of the Pipeline Survey Licence 2037 from ATP814P to the Wallumbilla connection near Rolleston and is progressing this option.

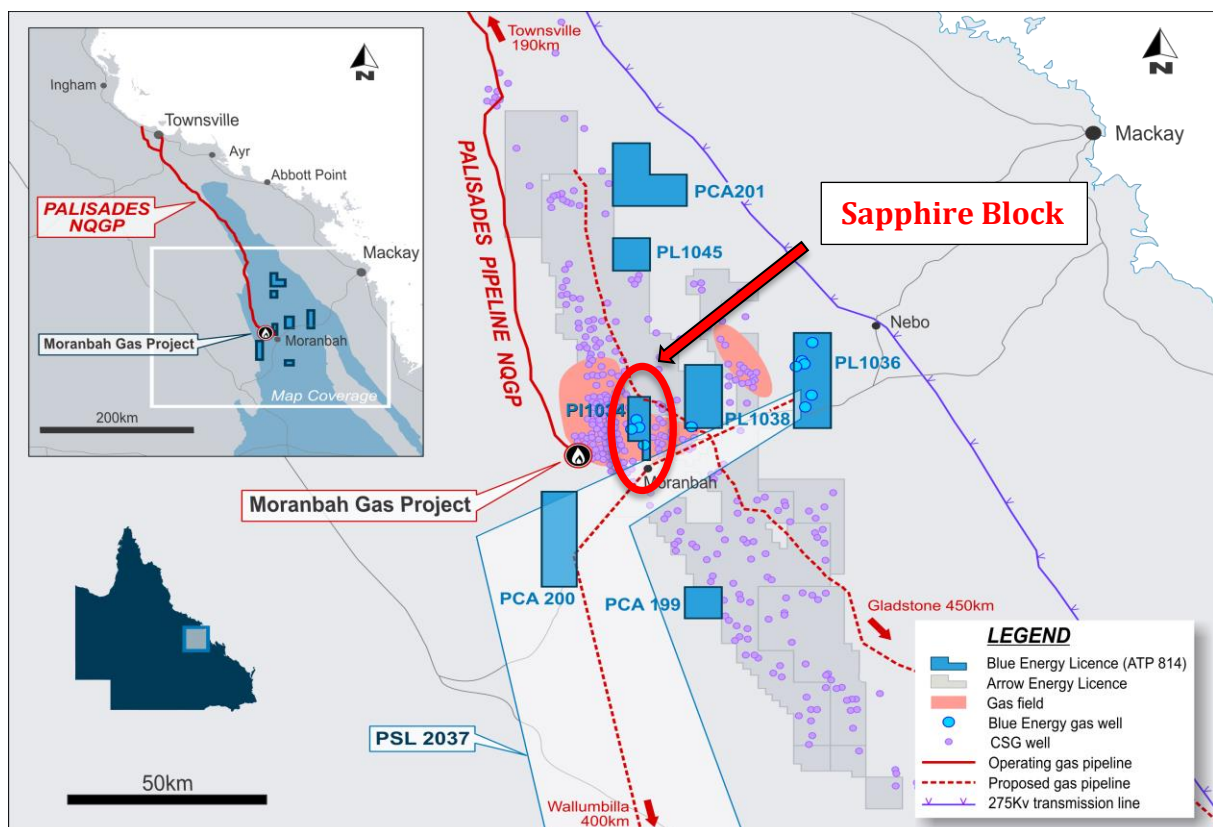


Figure 1: Blue Energy’s ATP814P acreage and the Palisade’s North Queensland Gas Pipeline to Townsville plus the southern pipeline option route - PSL 2037 from Moranbah to Rolleston

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 for Reserves and Resources

The estimates of Reserves and Contingent Resources noted throughout this Announcement have been provided by Mr John Hattner of Netherland, Sewell and Associates Inc (NSAI) and were originally reported in the Company's market announcements:

- 21 July 2011 (Maiden Reserves for ATP 814P)
- 13 December 2011 (Monslatt Resource Upgrade);
- 25 January 2012 (Reserves Upgrade for ATP 814P);
- 26 February 2013 (CSG Reserves Boost for Blue Energy's key Bowen Basin Project – ATP 814P),
- 19 March 2013 (Major Queensland Gas Resources for Blue Energy – ATP 814 & ATP 854);
- 8 December 2015 (Significant increase in Gas Reserve for key Bowen Basin permit); and
- 28 February 2019 (New gas resource upgrade – ATP 814 – Hillalong Block).

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 Reserves and Contingent Resources information for the Company's interests in ATP 854, ATP 813 and ATP 814 referred to in this Presentation has been issued with the prior consent of Mr John Hattner of Netherland, Sewell and Associates Inc in the form and context in which they appear.

Mr Hattner's qualifications and experience meet the requirements to act as a Competent Person as defined under the ASX Listing Rule 5.42, to report petroleum reserves in accordance with the Society of Petroleum Engineers ("SPE") 2007 Petroleum Resource Management System ("PRMS") Guidelines as well as the 2011 and 2018 Guidelines for Application of the PRMS approved by the SPE utilizing the deterministic methodology and have not been adjusted for commercial risk.

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

Petroleum Tenements Held

Table 2

Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter
ATP656P	Cooper Basin (Qld)	100%	100%
ATP657P	Cooper Basin (Qld)	100%	100%
ATP658P	Cooper Basin (Qld)	100%	100%
ATP660P	Cooper Basin (Qld)	100%	100%
ATP813P	Galilee Basin (Qld)	100%	100%
ATP814P	Bowen Basin (Qld)	100%	100%
ATP854P	Surat Basin (Qld)	100%	100%
ATP1112A	Carpentaria Basin (Qld)	100%	100%
ATP1114A	Georgina Basin (Qld)	100%	100%
ATP1117A	Georgina Basin (Qld)	100%	100%
ATP1123A	Georgina Basin (Qld)	100%	100%

*Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter	Comment
EP199A*	Wiso Basin (NT)	10%	10%	See Note 1
EP200*	Wiso Basin (NT)	10%	10%	See Note 1
EP205*	Wiso Basin (NT)	10%	10%	See Note 1
EP206A*	Wiso Basin (NT)	10%	10%	See Note 1
EP207*	Wiso Basin (NT)	10%	10%	See Note 1
EP208A*	Wiso Basin (NT)	10%	10%	See Note 1
EP209A*	Wiso Basin (NT)	10%	10%	See Note 1
EP210A*	Wiso Basin (NT)	10%	10%	See Note 1
EP211A*	Wiso Basin (NT)	10%	10%	See Note 1

Table 3

*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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