

31 January 2023

QUARTERLY ACTIVITIES REPORT to 31 December 2022

Blue Energy Limited (ASX: BLU, ‘Blue Energy’, ‘Blue’ or ‘the Company’) is pleased to report on activities during the quarter ended 31 December 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

Early gas seen in commissioning phase of both Sapphire Pilots.

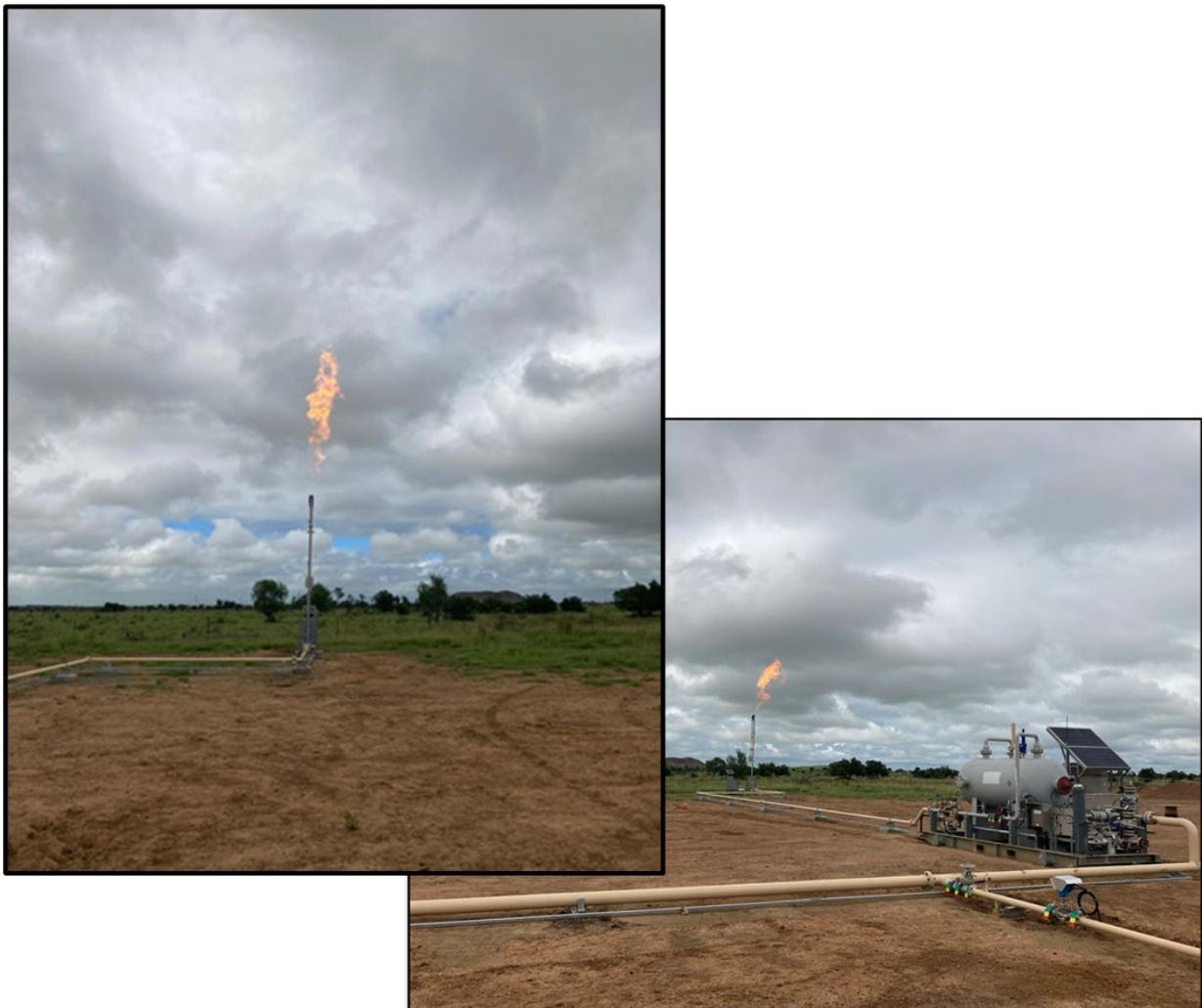


Figure 1: Sapphire 6 flare stack with blow down gas flaring during surface facility commissioning

During the quarter (and post quarter’s end):

- Early gas has been apparent during pilot well commissioning, with observed pressure on each of the lateral well heads in both the Sapphire 5 (as reported to the market on 21 December 2022) and now Sapphire 6 Pilot well sets, despite only minimal dewatering having commenced.

- Early gas (see Figure 1) recorded from the blow down process following Sapphire 6 flare stack installation (peak instantaneous blow down gas rate of 1.6 mmscf/day recorded - over the 8 hour blow down period - this is **not** a long term stabilised or sustained gas flow rate).
- Presence of early gas confirms the high gas saturation of the respective coals in the Sapphire Block (which was previously determined by Blue pre-drill). Promisingly minimal dewatering was needed to initiate this gas flow from the upper coals.
- Surface pipework and metering equipment is now installed on both Pilot sets.
- Completed the commissioning the Sapphire 5 and 6 lateral wells (7 lateral wells in total).
- Sapphire 5 and 6 vertical wells now pumping to initiate gradual de-watering process on the separate seams (laterals) in Pilot well set. This will slowly reduce pressure on the coals in the lateral wells and build gas rates to establish peak sustainable gas flow rates in due course.
- The completion activities follows the successful finalisation of the intense drilling activity phase in November with a total of ~14,000 metres of hole drilled and ~ 8000 metres of in seam coal section from 7 lateral wells.
- Sapphire 5 and 6 vertical wells completed with pumps and surface water handling facilities installed.
- All drilling, completion and surface facility installation activities were completed without a lost time injury.

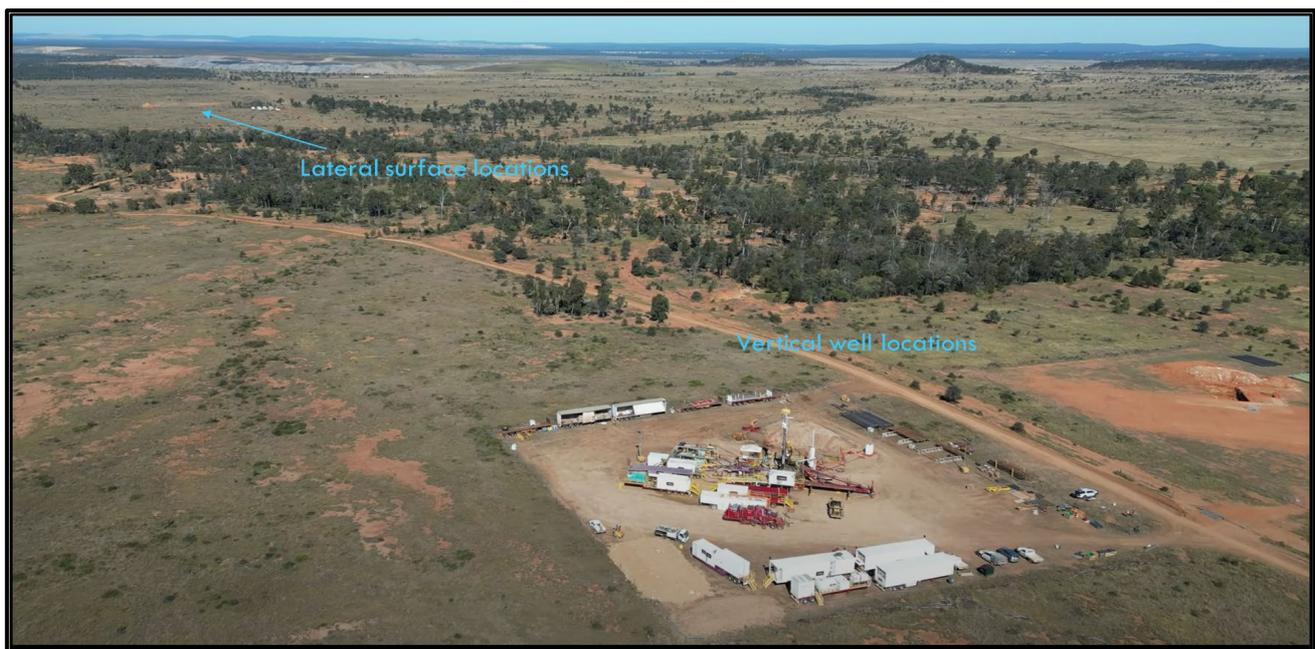


Figure 2: Layout of Blue’s Sapphire 5 vertical well (foreground) and location of the Sapphire 5L pilot wells (with the Isaac Plains Coal Mine) in the distance: ATP 814, North Bowen Basin. Source: Blue Energy.

ACTIVITY IN PROVEN BASINS

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

The object of the North Bowen drilling campaign has been to build the gas reserve base (through the conversion of 3C resources to 2P reserves) from the existing inventory of these 3C resources situated in the PL 1034 area (Sapphire Block) of ATP 814P, as well as to test the productivity of the respective target Permian coal seams.

The drilling program targeted multiple coal seams, with dedicated lateral wells (up to 4 laterals per pilot set – 2 sets) targeting a separate seam. Each lateral well was drilled at least 1,000 metres in coal and successfully intersected the vertical water drainage wells some 1.4 kilometres away (Sapphire 5 & 6) and which were also drilled as part of the extensive the drilling program (see Figure 2 above).

The lateral wells were drilled with seismic control and the stratigraphy confirmed by the vertical wells drilled at the front end of the program (see Figure 3 below).

The forward plan is to commence and continue the dewatering process and establish the maximum gas flow rate for the wells/seams over the coming months (which will yield peak gas rates from which economic models can be refined for optimising development plans).

In parallel, the geological data derived from the drilling program will be forwarded to Netherland Sewell and Associated Inc of Dallas (NSAI), so that the certifier can update the reserve and resource estimates for the Sapphire Block within ATP 814.

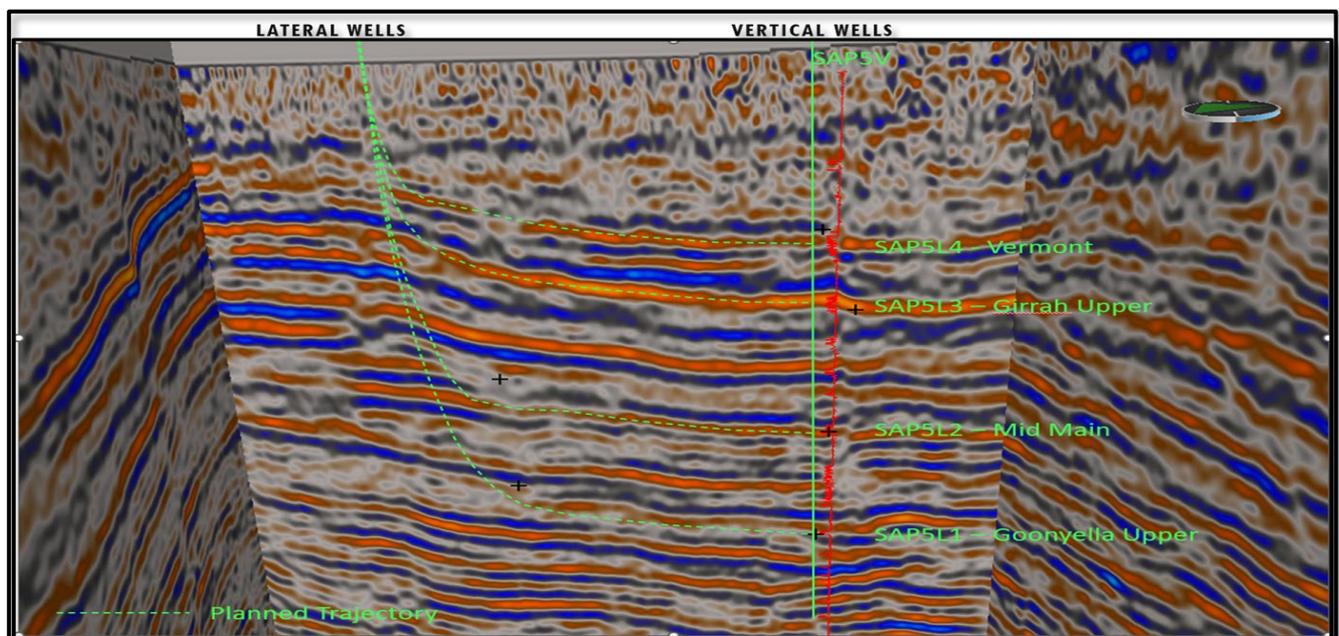


Figure 3: Seismic section showing geological control used to steer the lateral wells in seam and into the vertical wells
Source: Blue Energy.

The PL 1034 application area is located immediately adjacent to the Moranbah Gas Project (MGP), a producing field operated by Arrow Energy (see Figure 4). 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.

This drilling program was formulated in consultation with NSAI, Blue's independent assessor and certifier for all of its current oil and gas tenements.

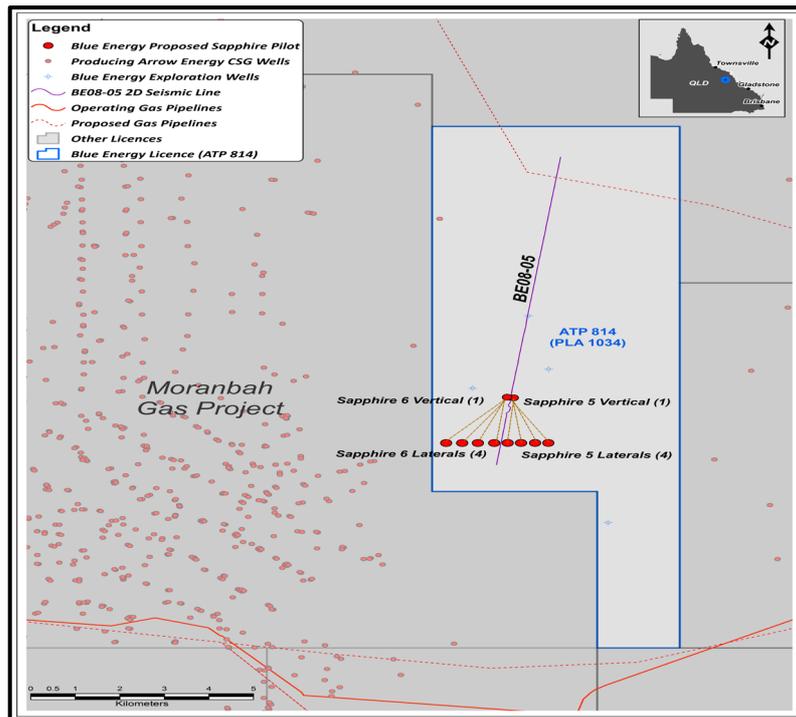


Figure 4: Sapphire 5 & 6 pilot well sets (not to scale): location and proximity to currently producing MGP wells (Source: Blue Energy).

As already announced to the market, ATP 814 contains 79 PJ+ of 2P reserves and 335 PJ+ of 3P reserves (as independently certified by NSAI). Significant upside also exists within the constituent blocks comprising the permit, with a combined 3,276 PJ+ of Contingent Resources in all the area held by the Company’s ATP 814 granted Potential Commercial Areas (PCAs) and PL applications, as also certified by NSAI. The Prospective Resources category in the ATP 814 permit totals approximately 2,000 PJ+ of gas in place.

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

As previously announced, Blue has an existing 398 PJ+ of Contingent Resources in ATP 854 as assessed by NSAI. The Company 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 contingent resource thus has clear near-term potential for economic development (see Figure 5). A subsequent geological review (post gas resource upgrade) has identified pilot well drilling locations to accelerate the development in this block, reflecting the enhanced materiality of this asset to Blue.

Also reported previously, Blue has already lodged PCA applications over this permit area to allow this tenure to progress more quickly toward assessing and developing these potentially economic gas resources. Blue continues to work with the Queensland Government to secure grant of these PCAs.

⁺ see Listing Rule 5.42 Disclosure at page 7.

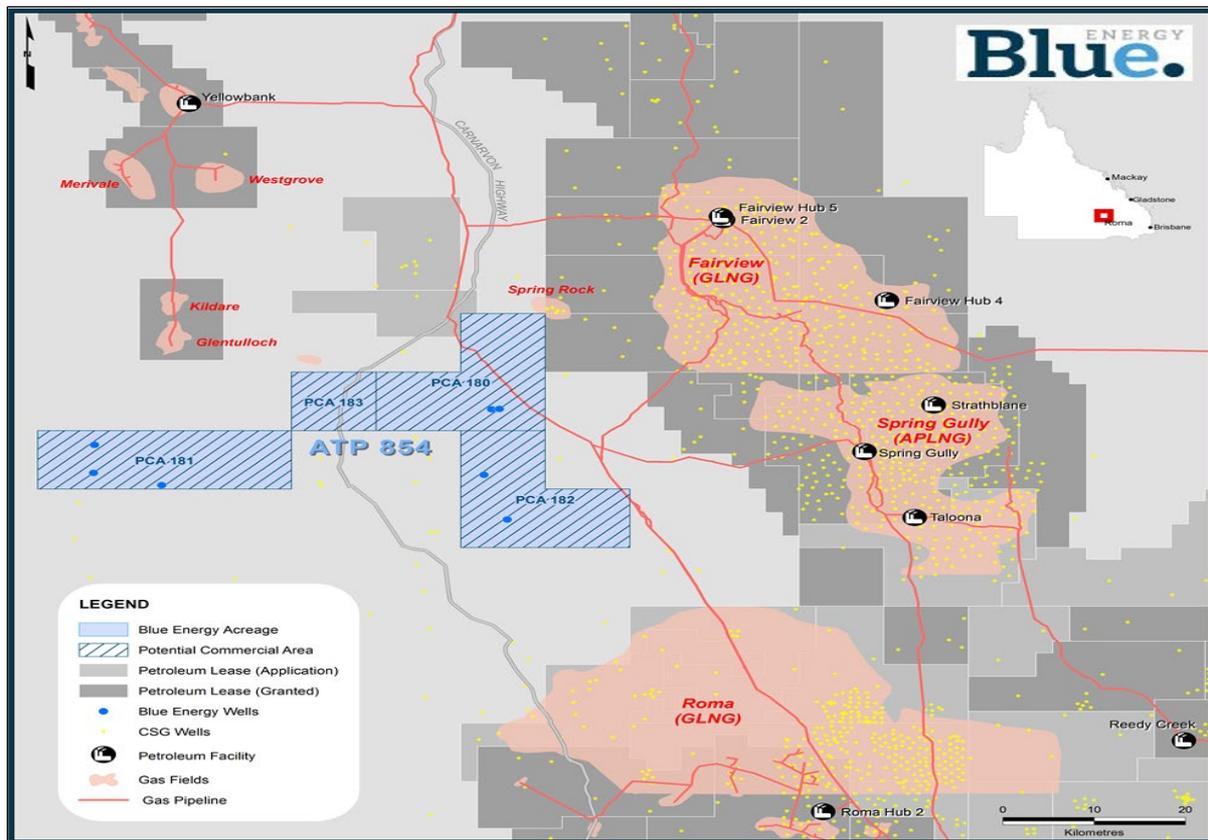


Figure 5: Location of ATP 854 in relation to existing pipeline infrastructure and major gas fields.
Source: Blue Energy.

ACTIVITY IN EMERGING BASINS

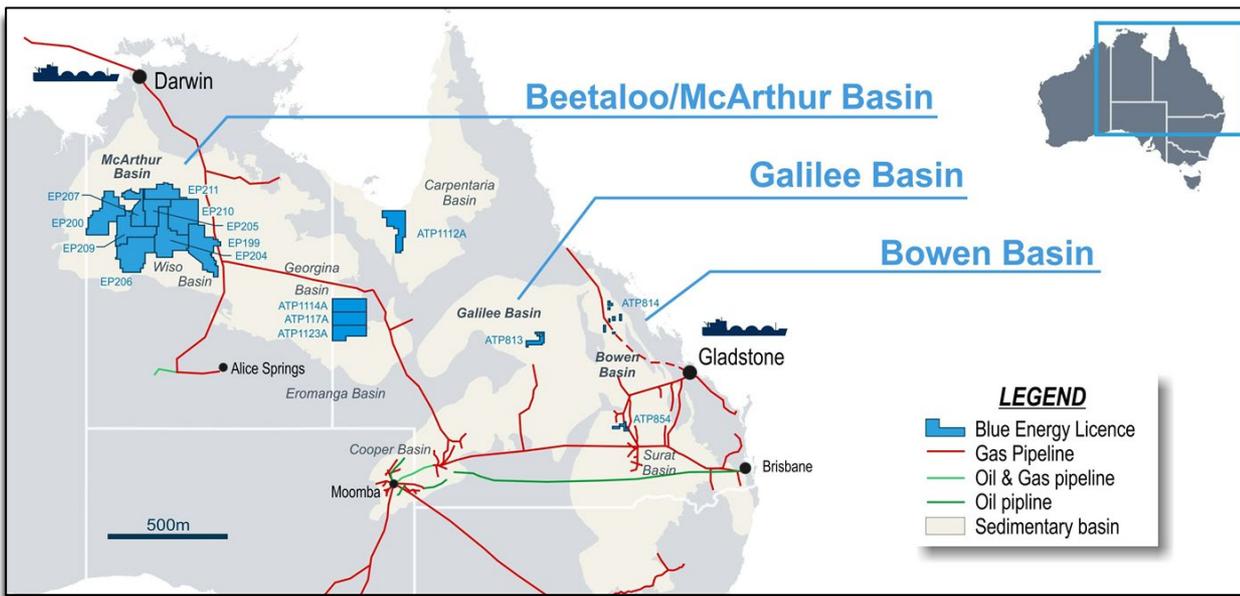
Greater McArthur Basin, Northern Territory: (Various permits and equity levels, Blue Energy Operator: see Figure 6)

Blue has progressed the Environmental Management Plan (EMP) for the acquisition of 2D regional seismic in EPs 200, 205 and 207. The EMP incorporates the results of the field work undertaken in March 2022 which looked at the flora, fauna and access points of the seismic line locations. Blue expects to lodge the EMP in the next few weeks, with the timeline of the approval process dictated by the relevant Northern Territory Government department.

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

Given the delays in formulation of the EMP, and to ensure Blue is compliant with all requirements of the Cultural Heritage Act in the NT, Blue has applied for and been granted a Suspension and Extension of the EP 200, 205 and 207 tenures to reflect these delays, whilst undertaking best endeavours to complete the required Government approval documentation, plus land access negotiations. The NT Government has granted a 12 month extension and extension of the work program and tenure term through to 15 February 2024.

Figure 6: The Blue Energy exploration asset portfolio



Source: Blue Energy.

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

Blue 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, NSAI has identified a further 1,956 PJ++ of Prospective Resource (gas in place) in the permit. Blue has 9 separate but contiguous PCA applications over part of the permit area which are currently with the Queensland Department of Resources for grant.

CORPORATE

Cash position

Cash on hand (at 31 December 2022) was A\$6.46 million. The Company has nil debt.

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

Table 1: Blue Energy gas reserves and resources (net) as at 30 September 2022+

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	11/07/2022	11/07/2022	-	154	67	214	253	214
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)				-	314	79	1,419	335	4,504

*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, 22 January 2022 and 14 July 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 this Quarterly Activities Report 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.

Released 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")

31 December 2022

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	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(170)	(361)
(e) administration and corporate costs	(804)	(1,039)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	46	58
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)	175	175
1.9 Net cash from / (used in) operating activities	(753)	(1,167)

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	(12,523)	(18,427)
(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	(12,523)	(18,427)

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	-	20,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(802)
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	-	19,198

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	19,734	6,854
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(753)	(1,167)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12,523)	(18,427)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	19,198

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	6,458	6,458

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	1,979	13,945
5.2	Call deposits	4,478	5,789
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)	6,458	19,734

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	172
6.2	Aggregate amount of payments to related parties and their associates included in item 2	82

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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
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)	(974)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(12,302)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(13,276)
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,458
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	6,458
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.5
<i>Note: if the entity has reported positive relevant outgoings (i.e., 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?	
<p>Answer: No. The Company expects expenditure in the short to medium term to reduce significantly from the expenditure incurred in the December quarter. December quarter expenditure related predominantly to the significant drilling program on the Sapphire Project which was completed successfully during the quarter. The focus of the Company in the March and June quarters will be production testing on the Sapphire Project.</p>	

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: The Company considers its existing cash reserves of \$6.5 million are sufficient to enable it to undertake the Sapphire production testing program and to meet its ongoing capital requirements in the short term.

The Company closely monitors its cash flow requirements and based on the successful \$20 million capital raising completed in the September 2022 quarter and the success of the recently completed Sapphire Project drilling program, the Company is confident it will be able to raise additional funding as required.

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: Yes.

As the Group's assets are in the exploration and evaluation phase, a major focus of the Board and management is on ongoing cash flow forecasting and management of cash flows to ensure that the Group has sufficient funds to cover its planned activities (the majority of which are discretionary in nature) and any ongoing obligations.

The Company considers its existing cash reserves of \$6.5 million to be sufficient to enable it to undertake the Sapphire Production testing program and meet its working capital requirements in the short term.

Based on the success of the recently completed Sapphire Drilling program and the ability of the Company to raise \$20 million in the September 2022 quarter, the Company believes it will be able to access additional funding as required to continue its operations and meet its business objectives.

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: ..31 January 2023.....

Authorised by:The Board of Blue Energy Limited.....
(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*

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

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.