

31 October 2014

QUARTERLY ACTIVITIES REPORT To 30th September 2014

Blue Energy Limited (ASX: "BUL") is pleased to report on September 2014 quarter activities across proven and emerging basins in Queensland and the Northern Territory in which the Company's key oil and gas projects are located.

KEY POINTS

Proven Basins

- **Bowen Basin:**

Confirmation of Arrow FEED process for Moranbah Gas Project development and export pipeline to Gladstone, and all Government environmental approvals in place to proceed

- **Cooper Basin:**

Establishment of Basin Centred Gas by REAL Energy (adjacent Operator)

Emerging Basins

- **Galilee Basin ATP813P: Resource Upgrade**

2C Contingent Resource increases by 31% to 62 PJ

3C Contingent Resource increases by 54% to 838 PJ

- **Greater McArthur: Key wells drilled by Majors**

Corporate

- **Cost reduction strategy yielding savings**
- **Cash reserves \$8.0 million as at 30 September 2014**

Reserve and Resource Position

Permit	Block	Assessment Date	Announcement Date	1P (PJ)	1C (PJ)	2P (PJ)	2C (PJ)	3P (PJ)	3C (PJ)
ATP854P		30/06/2012	19/03/2013	-	22	-	47	-	101
ATP813P		30/10/2014	31/10/2014	-	-	-	62	-	838
ATP814P	Sapphire	31/12/2012	26/02/2013	-	75	50	127	178	224
ATP814P	Central	31/12/2012	19/03/2013	-	27	-	81	-	438
ATP814P	Monslatt	31/12/2012	19/03/2013	-	-	-	476	-	1,693
ATP814P	Lancewood	30/09/2013	30/10/2013	-	7	5	11	15	421
ATP814P	South	30/06/2013	29/07/2013	-	15	-	27	6	30
Total (PJ)				-	146	55	831	200	3,744
Total (bcf)				-	146	55	831	200	3,744

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Proven Basins

Bowen Basin

(ATP814P – 100% Blue Energy and Operator)

As advised in the previous Quarter, Arrow Energy is well advanced with its Front End Engineering and Design Project for Gas Development in the Moranbah area and export pipeline projects to deliver gas to Gladstone.

More recently, it was also announced that Arrow's Bowen Basin Project to bring gas to Gladstone and potentially construct a liquefaction plant for export of LNG has now received all required environmental approvals from Regulators. Progression of the Arrow Project (Shell/Petrochina consortium) continues to be a catalyst to Blue Energy's commercialisation options for our reserves in ATP814P.

The Company continues to work with Netherland, Sewell and Associates Inc (NSAI) on providing an update on the reserve and resources position for ATP814P. Delays have been experienced in the provision of a full data set by other parties to the data sharing agreement for the region. A reserve update is now scheduled to be completed by the end of current calendar year.

Cooper Basin

(ATP 656A, 657A, 658A, & 660A Blue Energy 100% - and Operator)

Blue Energy continues to be encouraged by the success from operators adjacent to Blue's Cooper Basin Blocks. REAL Energy (ASX: RLE) has drilled the Tamarama 1 well and informed the market that it has confirmed a basin centred gas discovery in the Permian section of that well. Subsequently REAL is now drilling a second well to the west (Queenscliff 1). This area is to the south of Blue Energy's ATP657P and 658P blocks.

This result (basin centred gas) adds to the known gas prospectivity of these areas as well as the Jurassic oil potential demonstrated by discoveries such as Inland and Cook/Cuisinier.

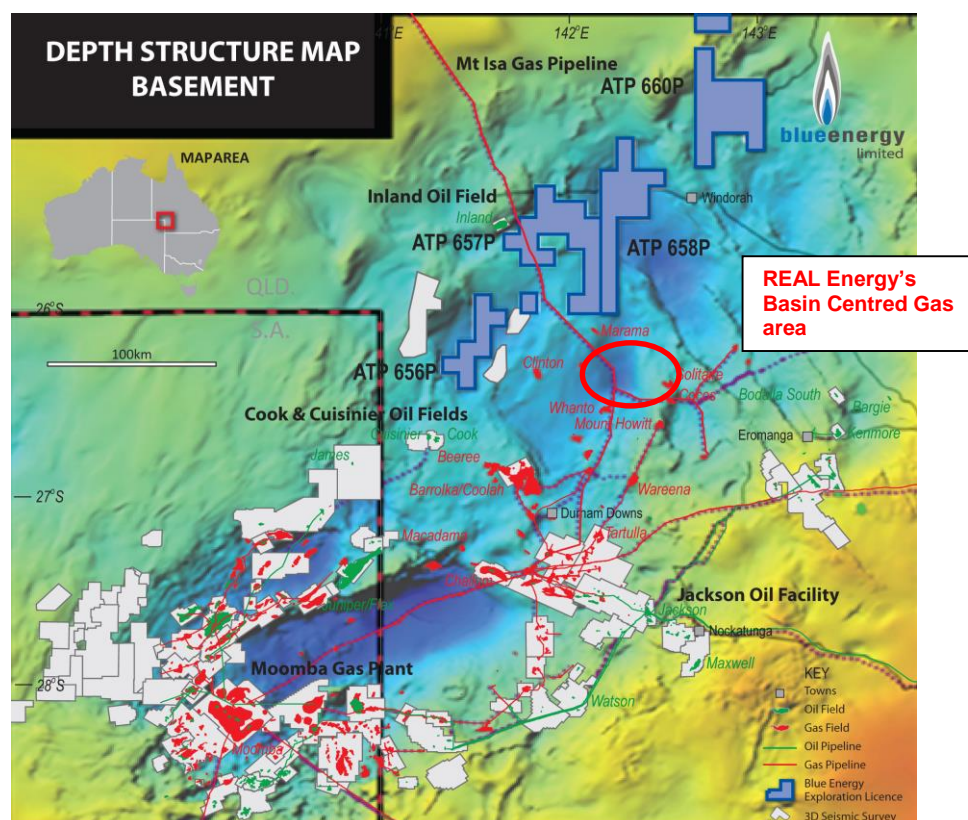


Figure 1: Location of Blue Energy's Cooper Basin Permits, 3D seismic survey coverage and pipeline infrastructure.

Emerging Basins

Galilee Basin: Resource upgrade

(ATP813P 100% Blue Energy and Operator)

Blue Energy is pleased to advise that following the drilling of the Stagmount 1 CSG core well last year and subsequent analysis of all the well data (including gas desorption and isotherm data) by NSAI, the Contingent Resource estimate (3C Category) for the Company's 100% owned permit (ATP813P) has increased by 54% to 838 PJ (recoverable gas).

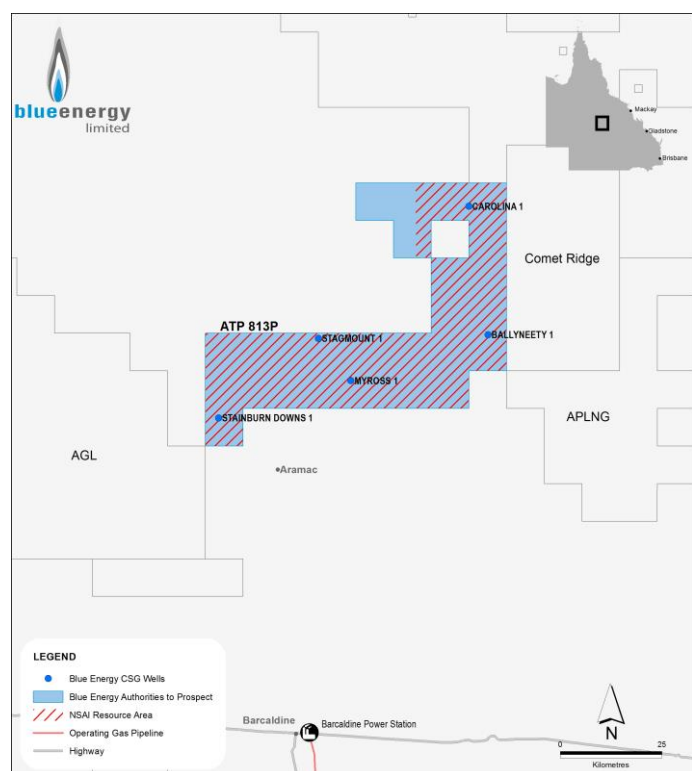


Figure 2: Location map showing ATP813P in the Galilee Basin and the Resource distribution

Greater McArthur Basin: Drilling results in adjacent permits show promise

(Includes Wiso and Georgina Basin tenements – Blue Energy Operator)

During the quarter, Blue Energy's technical management participated in a geological field trip run by the Northern Territory Geological Survey to study the complete McArthur Basin sedimentary sequence in outcrop. Particular attention was placed on the organic rich marine source rock interval of the Barney Creek Shale, which constitutes a significant petroleum source. Blue Energy's technical view is that these source intervals are present and mature for hydrocarbon generation within the Company's permit areas and as such a valid source will be present to the west of the Stuart highway in Blue's acreage, where historically only very low levels of oil and gas exploration has been undertaken.

Activity around Blue Energy's tenement areas undertaken by other operators continues to show indications of significant petroleum systems that could yield commercial hydrocarbons with further work. Blue Energy's tenements are benefitting from this activity by the de-risking of the different plays in the broader MacArthur Basin.

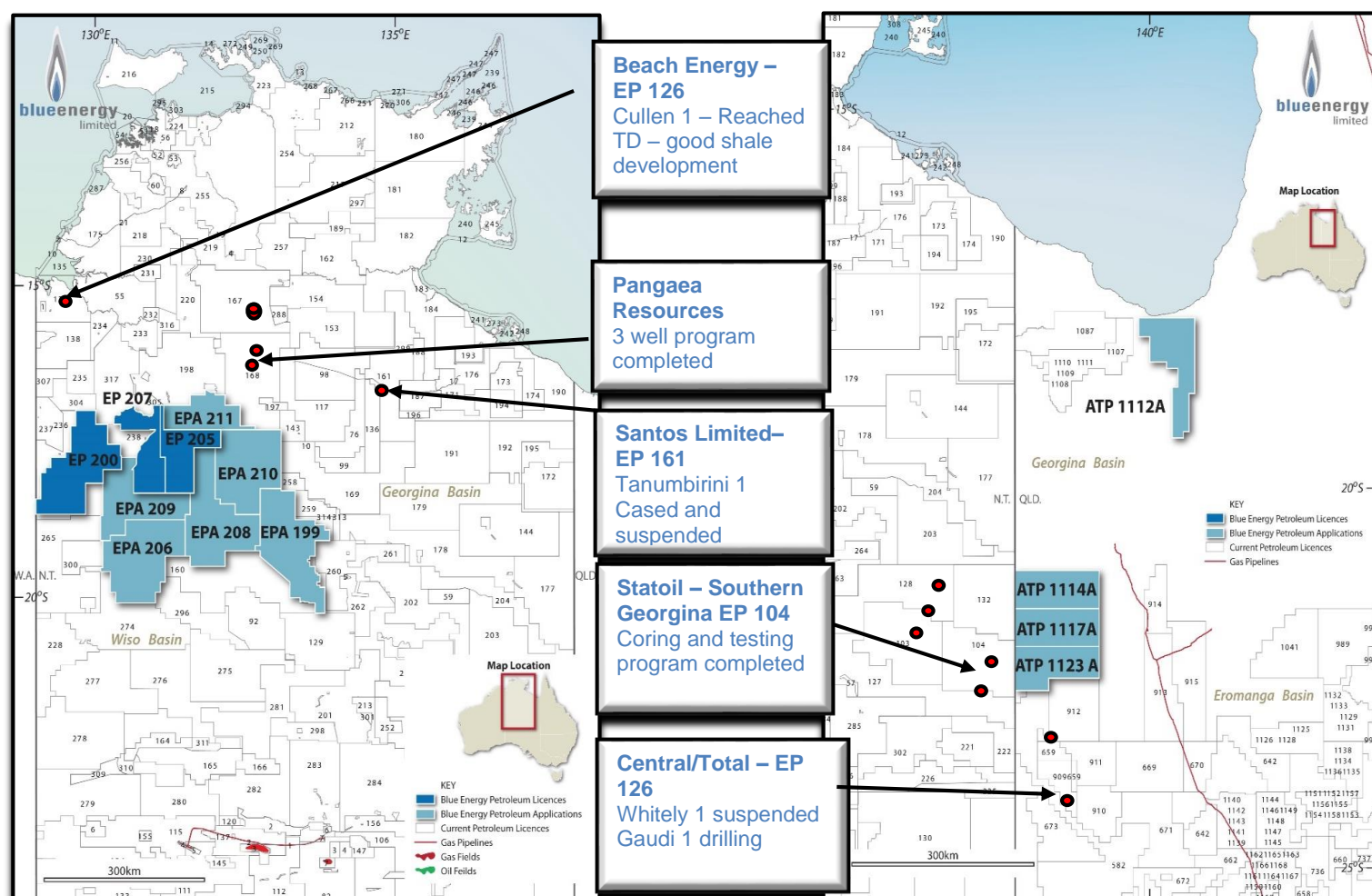
Activity undertaken by Santos in the Beetaloo sub basin of the Greater McArthur Basin in its Tanumbirini 1 well has yielded a 500 metre gross section of Proterozoic shale, with elevated gas readings during drilling. Analysis of core taken from these target shales should yield information about the suitability of these shales to produce economic hydrocarbons. The well has been suspended for testing next year.

The Total/Central Petroleum consortia spudded its second well in the Southern Georgina Basin (Gaudi 1) during the period, located south of Blue Energy's application areas. The target for the well was the Cambrian aged Lower Arthur Creek Formation which has an established petroleum system and contains organic matter rich marine shales.

The activity highlights the growing geological knowledge and interest in these northern basins.

Blue is continuing to work with the Northern and Central Land Councils to reach Native Title Agreements with Traditional Owners for the Company's application areas. Successful agreements will facilitate grant of these application areas.

Figure 3: Northern Basin Activity map



CORPORATE

Cost reduction strategy yielding savings

The concerted and ongoing cost reduction strategy embarked on by Management and the Board continues to yield savings. The Company's annual administration costs have been in decline over the past several years as every line item of expenditure is regularly reviewed. Management will continue to work diligently to rein in costs.

Website upgrade

During the period, Blue has undertaken a revamp of its website to better communicate the Company's assets and strategy to shareholders and the broader community. This will be an ongoing process.

Cash Position

Cash on hand at the end of the 30 September 2014 quarter was \$8.0m with the net cash spend for the quarter in line with the forecast as at 30 June. All legacy drilling invoices from the Stagmount 1 drilling campaign have now been received and processed. Our projected annual run rate is still targeted to be less than \$2 million pa.

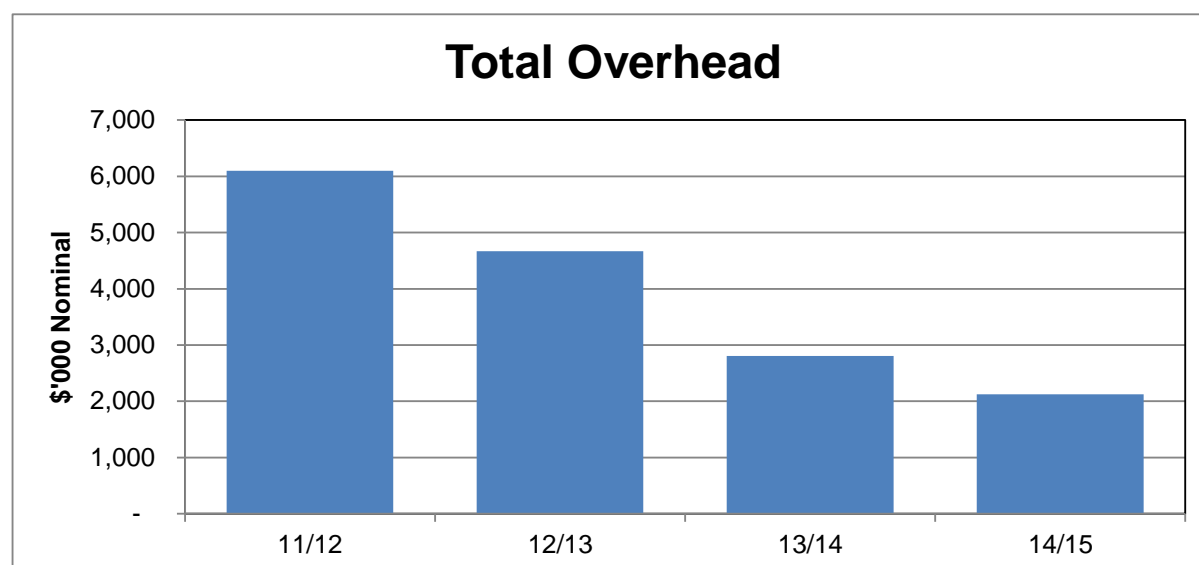


Figure 4: Blue's Annual Corporate overhead reduction

Shares, Rights & Option Issues

There were no issues of shares, rights or options during the quarter.

END

Petroleum Tenements Held

Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter	Comment
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%	

Beneficial Interests Held via Farm in's

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

Note 1 – Blue has the ability to earn up to 50% equity in these blocks subject to completion of farm in work program.

Reserve and Resource Position

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All numbers are net to Blue Energy.

Competent Person Statement

The estimates of reserves and contingent resources have been provided by Mr John Hattner of Netherland, Sewell and Associates Inc. 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 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 Society of Petroleum Engineers (SPE), utilising a deterministic methodology.