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Significant Gas Resource Upgrade for key Bowen Basin permit

Blue Energy Limited (ASX: "BUL") is pleased to announce a significant increase in Contingent Resources for the Company's 100%-owned ATP814P coal seam gas asset in the Bowen Basin, Queensland.

The upgrade follows an independent review of Blue Energy's portfolio of assets by Dallas-based reserve certifier, Netherland Sewell and Associates (NSAI).

The NSAI upgrade for the ATP814P permit has increased the 3C resource category by 21% or 657 PJ (recoverable gas) to a total of 3,462PJ (3C).

In addition, the independent NSAI gas resource upgrade has also increased the sub-categories of 1C and 2C Contingent Resources for the permit by 30% and 27% respectively.

Blue Energy's current net gas resource across the portfolio now stands at nearly 4,400 PJ of Contingent Resource, 55 PJ of 2P Reserves and 200 PJ of 3P Reserves, all of which are currently uncontracted (Table 1).

The six separate blocks comprising ATP814P are surrounded by Arrow Energy's existing Moranbah Gas Project (see Figure 1) and its proposed new gas development and export pipeline project presently undergoing a Front End Engineering and Design process to supply gas to the Gladstone LNG hub.

Blue Energy's Managing Director, Mr John Phillips, said progression of the Arrow project would allow Blue's reserves and resources to access the Gladstone demand centre.

"Our latest resource upgrade for ATP814P comes at a time when there has been a rapid deterioration in the world oil price and many producers are facing material downgrades in reserves as a result," Mr Phillips said.

"Following start-up of the first LNG plant in Gladstone (QCLNG) and the historic first shipments of LNG cargos from the east coast over the Christmas/New Year break, demand for gas supply in Gladstone is set to increase exponentially in the coming 12 months as the other LNG plants (GLNG and APLNG) each reach production start-up mile stones," he said.

"The significance of this achievement cannot be overstated, as these cargos represent the first time an unconventional gas source (Coal Seam Gas) has been used to produce commercial LNG anywhere in the world. Currently QCLNG is preparing to load its third and fourth LNG cargos with two LNG carriers currently sitting at anchor off Gladstone."

“It is clear that the complex issue of upstream coal seam gas field development and continuous production of feed gas is now the critical element for these massive LNG plants to maintain production rates and contractual commitments for the supply of LNG to customers over the next 20 years.”

“The consequences of this major change to the east coast gas supply-demand equation will now become apparent as existing domestic gas contracts roll off in NSW, LNG producers attempt to shore up short and medium term gas deliverability shortages through third party gas transactions and domestic gas users struggle to secure long term gas supply agreements for their businesses in the new price environment.”

“The paradigm shift from east coast gas producers being price-takers in a high risk business to price-setters in the domestic gas market will be the new norm as nearly 80% of the east coast gas reserves are controlled by entities associated with the LNG export plants in Gladstone.”

Blue Energy revised Reserve and Resource Position (net to Blue)

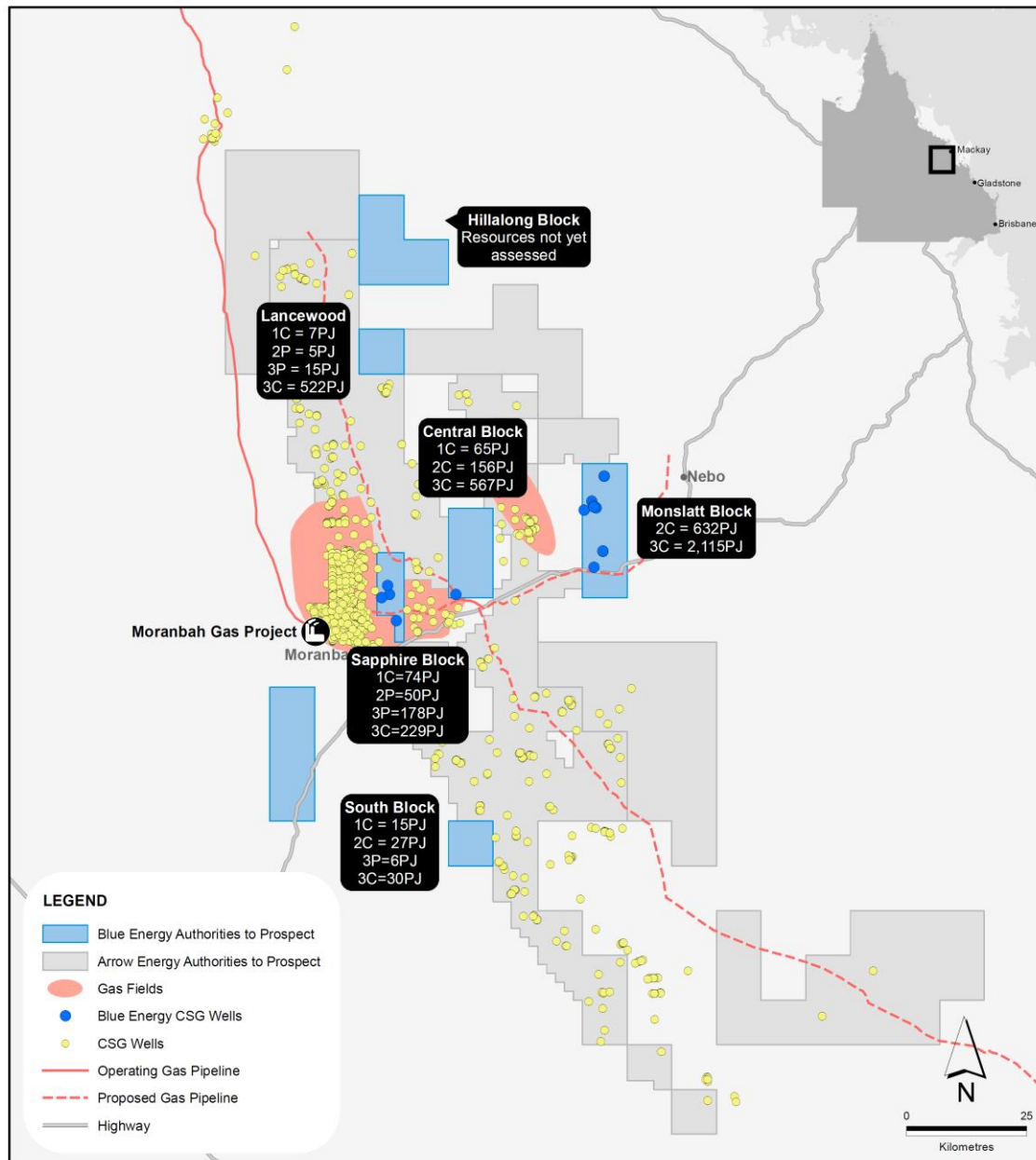
Table 1

| 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 | | 29/10/2014 | 30/10/2014 | - | - | - | 61 | - | 830 |
| ATP814P | Sapphire | 17/01/2015 | 20/01/2015 | - | 74 | 50 | 129 | 178 | 229 |
| ATP814P | Central | 17/01/2015 | 20/01/2015 | - | 65 | - | 156 | - | 567 |
| ATP814P | Monslatt | 17/01/2015 | 20/01/2015 | - | - | - | 632 | - | 2,115 |
| ATP814P | Lancewood | 17/01/2015 | 20/01/2015 | - | 7 | 5 | 25 | 15 | 522 |
| ATP814P | South | 30/06/2013 | 29/07/2013 | - | 15 | - | 27 | 6 | 30 |
| Total (PJ) | | | | - | 184 | 55 | 1,077 | 200 | 4,392 |
| Total (bcf) | | | | - | 184 | 55 | 1,077 | 200 | 4,392 |

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.

Figure 1



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