

8 December 2015



Level 3, 410 Queen Street,
Brisbane QLD 4000
t +61 7 3270 8800
f +61 7 3270 8899

Significant increase in Gas Reserve for key Bowen Basin permit

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

Highlights

- 2P Reserves increase by 29% to 71 PJ (~12 million barrels oil equivalent)
- 3P Reserves increase by 49% to 298 PJ (~ 50 million barrels of oil equivalent)
- Compound Annual Growth Rate in 3P Reserves of 67%
- Blue fielding multiple requests from prospective gas buyers

In Summary:

ATP814P Reserve and Resource Summary position

Category	Previous PJ	This Update PJ	Difference PJ	% change
2P	55	71	+17	+29%
3P	200	298	+98	+49%
3C	3,461	3,011	-450	-13%

(net to Blue)

This is a most pleasing result, achieving a Reserve upgrade in the current low oil price environment while many other Operators (globally) are seeing reductions in their reserves.

The low commodity price, together with industry wide higher operating costs, have worked together to render some previously booked reserves now uneconomic for some operators. Blue's 4 year CAGR of 67% of 3P reserves is therefore significant against industry trends and highlights the potential of the Company's Bowen Basin permits, the annual reserve review process, and Blue Energy's low finding costs (\$2.95/boe of 2P).

Blue Energy's Managing Director, Mr John Phillips, said the latest reserve upgrade was most timely for the Company, especially with the growing demand for gas in the Townsville and North Queensland region.

"The Company is currently fielding multiple requests from prospective gas buyers for discussions around the timing of development of Blue's reserves and its capacity to supply into the domestic market in the short term," he said.

"The reserve upgrade is especially pleasing, given the point in the cycle (low oil price), our low finding cost and with gas prices on the east coast trending upward toward \$8-9 per GJ, the value of Blue's in-ground undeveloped 2P and 3P Reserves is quite substantial."

The ACCC's ongoing enquiry into the East Coast Gas Market has found the major LNG projects in Gladstone have disrupted the east coast gas market, as east coast gas production will need to triple to meet LNG and domestic demand.

Indeed the Chairman of the ACCC, Mr Rod Sims, told Federal and State Energy Ministers at the recent CoAG meeting that the east coast gas market in Australia seemed to be "perhaps one of the few gas markets in the world living under the shadow of supply uncertainty".

Mr Sims' comments suggest confidence that the ACCC's approval of the Shell – BG Merger will not exacerbate supply uncertainty in east coast domestic gas supply.

Blue is similarly encouraged by Shell Australia's Chairman Mr Andrew Smith's comments leading up to the ACCC's decision where he is quoted as saying:

"What this market needs is more gas to be developed into the market," Mr Smith said.

Mr Smith also added that "by approving the combination (of Shell and BG), that will allow for the earliest introduction of Arrow's resource base into the east coast market".

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

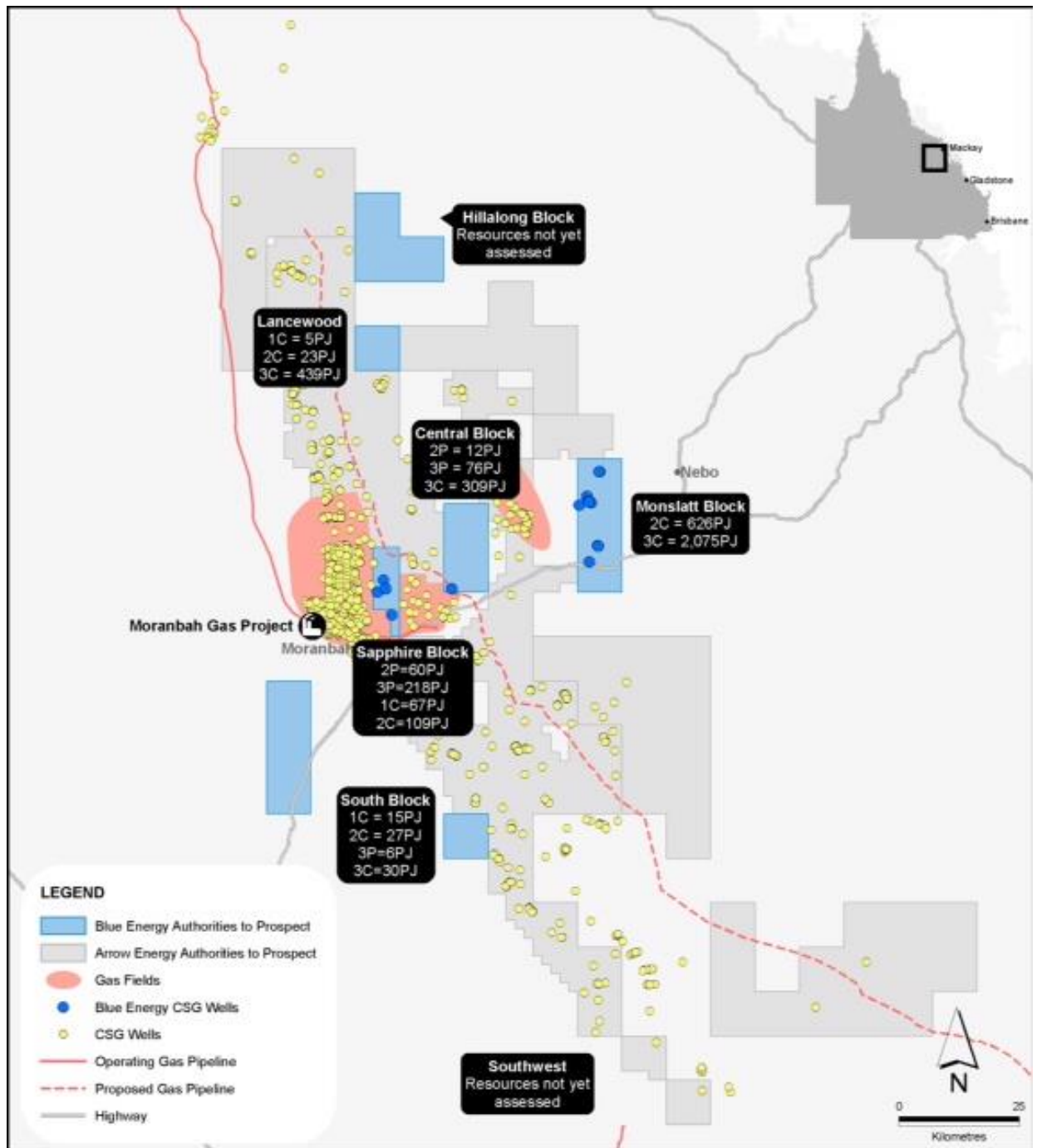
Table 1

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	5/12/2015	8/12/2015	-	66	59	108	216	186
ATP814P	Central	5/12/2015	8/12/2015	-	50	12	99	75	306
ATP814P	Monslatt	5/12/2015	8/12/2015	-	-	-	619	-	2,054
ATP814P	Lancewood	5/12/2015	8/12/2015	-	5	-	23	1	435
ATP814P	South	30/06/2013	29/07/2013	-	15	-	27	6	30
Total (PJ)				-	158	71	984	298	3,942
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.

Figure 1



Contact:
John Phillips
Managing Director
Blue Energy Limited
+ 61 7 3270 8800