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ASX/Media Release

KANAKA 1 LIFTS CONFIDENCE IN ATP 813P GALILEE BASIN GAS ESTIMATE

Blue Energy Limited (ASX: BUL) is pleased to advise that Kanaka 1 - the second well of the Company's extensive 11-well Galilee Basin exploration program in ATP 813P - has intersected and cored over 25m of gaseous coal containing up to 3.1 m³/t raw value gas in the Betts Creek Formation.

This is consistent with reported results from nearby operators and confirms Blue Energy's probabilistically determined original gas in place estimate of approximately 15TCF (P₅₀) announced in 2008.

The 2008 probabilistic estimate was distributed on the following criteria:

Area:	3,774 km ²
Net Coal:	24m
Gas Content:	2.5 m ³ /tonne
Composition:	High (≥ 95 %) methane content

Results from Kanaka 1, which has reached a depth of 1,189m on the western side of ATP 813P, are consistent with this initial estimate.

Chairman Peter Cockcroft said results from Kanaka 1 had provided increased confidence about the lateral extent of the Betts Creek coals, as they had now been correlated in the two wells some 70km apart.

"Our remaining nine exploration wells will aim to further substantiate our resource estimate over the next few months, which, if successful, will have the capacity to underpin the economics of a Liquefied Natural Gas (LNG) export development," Mr Cockcroft said.

"Due to the depositional nature of these coals, we are hopeful that other Coal Seam Gas (CSG) operators in the Galilee Basin will record similar results, which will enhance the development of a large natural gas program from the Galilee Basin."

Mr Cockcroft said Blue Energy was differentiated from other Coal Seam Gas companies by having Korea Gas Corporation (KOGAS) as a strategic shareholder.

"KOGAS is the first large LNG buyer to take an active position in Queensland's CSG sector and having them as a shareholder enhances Blue Energy's ability to develop, transport and sell gas from the Galilee Basin if we are successful," Mr Cockcroft said.

Mr Cockcroft said that the Kanaka #1 results represented an extremely positive step in an extensive exploration effort by Blue Energy and other Galilee Basin operators which hopefully will lead to an impressive resource base.

Finally, commenting on the Kanaka #1 results, Mr Cockcroft also said that “The challenges with announcing drilling results is to put information into a format that the average investor can understand, to avoid jargon as well as putting the results in context. Blue Energy is attempting to meet these challenges in announcing these results of the drilling of Kanaka #1.”

Kanaka #1 Status (@ 06:00 hrs on 9/12/09):

Depth:	1,189m
Operation:	Recovering drill string prior to coring ahead

END

For further information please contact:

John Phillips
Chief Operating Officer
Blue Energy Limited
Tel: +61 7 3332 8800

Figure 1: ATP813P Drilling Program Location Map

