CONTENTS

Chairman & MD’S Letter 2
Reserves & Resources 4
Surat Basin 6
Wiso Basin 8
Southern Georgina Basin 10
Carpentaria Basin 11
Cooper Basin 12
Bowen Basin 14
Maryborough Basin 16
Galilee Basin 18
Sustainability & Social Responsibility 20
Board of Directors 22
Key Dates & Corporate Directory 24

2013 ACHIEVEMENTS

> Doubled acreage position to 110,000km² (27.4 millions acres) net to Blue
> Re-aligned strategy to conserve cash whilst adding shareholder value
> Continued gas flow from Sapphire Block
> Maiden 2P reserves of 50PJ
> 6 years LTI free
> Increased 3P reserves by 150% to 187PJ
> Increased contingent resource by 23% to 3,516PJ
> Strengthened relationships with Government and Landowners
> Reduced annual run rate by $2.7 million
> Zero environmental incidents
> Identified significant oil prospect in ATP854P

2014 GOALS

> Zero lost time injuries
> Zero environmental incidents
> Farmout Marburg oil prospect
> Drill Marburg oil Prospect
> Work program in ATP813P to expand contingent resource
> Re assess tenure priorities based on prospectivity
> Investigate further farmout opportunities
> Conduct Native Title negotiations on outstanding permits
2012-13 has been a year of significant change for your company.

A concerted and ongoing effort to reduce costs from your company has resulted in a streamlined Board and lower overall head count together with an appreciable reduction in overheads. Your revitalised Board has re-focussed on developing a strategy to explore for oil and gas in the most cost effective way and in areas where your company can leverage its unique exploration skillsets to acquire prospective acreage that will, with time, deliver significant growth and value for all shareholders.

During the year, Blue Energy recorded its maiden 2P reserve booking of 50 Petajoules. The Company increased its 3P Reserves by 150% to 187 Petajoules and increased the Contingent Resource base by 23% to 3,516 Petajoules.

The state of the gas market in Eastern Australia is worthy of some discussion as the three massive LNG projects in Gladstone head toward start up and first export cargos. The result of this tripling of demand for gas on the east coast has led to much debate about future gas availability for the domestic market. It is apparent that most of the major current domestic gas suppliers have affiliations with the LNG export projects, and as existing domestic contracts roll off and new supply and contracts are required, the options for gas producers are a lot greater than previously. It is indisputable that gas producers on the east coast of the country now have exposure to pricing for gas that the rest of the world and particularly Asia is prepared to pay. This pricing has an oil linkage to it, and given the now internationally competitive gas market, it is likely that domestic gas prices will rise to a level of equity with international pricing. This will be good for companies with un-contracted reserves like Blue Energy.
Top tier Safety and Environment performance continues to be a core value and priority at Blue Energy. During the period, Blue recorded zero Lost Time Injuries and environmental incidents. This continues our worldclass HSE record.

Your Company has doubled its acreage portfolio in the period and directed resources to ranking the acreages’ prospectivity for the allocation of the Company’s valuable capital. Board and Management see significant upside potential in the geologically older and un-explored interior basins that Australia possesses and accordingly, Blue Energy has expanded its portfolio into the Wiso Basin of the Northern Territory, the Southern Georgina Basin in western Queensland and the Carpentaria Basin in northwestern Queensland. As an explorer Blue has looked to gain a material acreage footprint in areas that we believe are prospective for the discovery of significant hydrocarbon volumes due to the probable presence of a rich source rock sequence. The acreage footprint will be attractive to others who are looking globally for new and underexplored hydrocarbon plays.

The Wiso and Georgina Basins are particularly exciting as they have geological affinities with the massive oil and gas reserves held in the Pre-Cambrian and Cambrian aged fields of Oman and Eastern Siberia. These affinities were established when these areas were in close proximity to the proto Australian continent between 800 to 500 million years ago in a time that predated dinosaurs, land plants and land based life.

In this regard, your Board is confident in the model that Blue can apply its exploration skills to add significant value in accessing large acreage positions in the older sedimentary basins which have only seen very light levels of exploration to date.

With the re-invigorated interest shown by a number of the large national and international oil companies in Australia's petroleum basins, Blue's new acreage additions are adjacent to areas where significant exploration expenditure and activity is being undertaken (eg the South Georgina Basin). This will ultimately enhance the value of Blue's acreage and de-risk Blue's capital program in these frontier basins.

The acreage acquisitions undertaken have enabled Blue's conveyor belt of opportunities to be re-stocked to give excellent medium and longer term growth for the company.

In the meantime, the strong exploration skills held in the company have been utilised on the existing acreage to identify and drill the Marburg 1 conventional oil prospect. The genesis of the Marburg prospect lies in the diligence and rigor of the Blue technical and management teams which located and assessed old drilling and seismic data, looking for signs of oil and then following up that analysis by identifying and mapping a large structural closure up dip of the old well.

This process has culminated in the identification of a significant oil prospect that could, if successful be very material for your company.

This highlights the strengths of a diverse exploration portfolio and offers shareholders exposure to near term conventional oil plays, together with near term gas commercialisation options in our Bowen CSG permits, exposure to multiple conventional and unconventional targets in the active Cooper Basin plus longer term options for large upside liquids plays in the Cambrian and Proterozoic rocks of the Wiso, Georgina and Carpentaria Basins.

Your Board continues to drive costs down whilst setting the portfolio up for short, medium and long term growth. The continual review of prospectivity within and outside the portfolio with an eye to breaking geological plays, and our nimbleness, sets Blue Energy up to outperform its peers and deliver growth to shareholders. Regular turnover of the portfolio will provide monetisation opportunities for various assets and this process will provide ongoing funding for exploration as Blue maintains a lean and hungry exploration ethos.

Finally, we would like to take this opportunity to acknowledge the efforts of the staff who have been focussed and diligent in driving our cost base down, preserving our safety record and at the same time developing the opportunities within the new acreage that the Company has acquired.

John Ellice-Flint  
Chairman, Executive Director

John Phillips  
Managing Director
During the year the Blue achieved its maiden 2P gas reserves of 50 Petajoules (PJ) and a 150% increase in its 3P gas reserves to 187PJ in the Company’s wholly-owned ATP814P in the Bowen Basin, Queensland. The upgraded gas reserves follow an independent annual review of data associated with the Sapphire Lancewood and South Blocks of ATP814P by Netherland, Sewell and Associates Inc. (NSAI).

Blue Energy’s Sapphire Block of ATP814P is located immediately adjacent to Arrow Energy’s Moranbah Gas Project which currently supplies gas to Townsville users but is also targeted to provide feed gas for Arrow Energy’s proposed LNG export facility in Gladstone.

<table>
<thead>
<tr>
<th>Permit</th>
<th>Block</th>
<th>1C (PJ)</th>
<th>1P (PJ)</th>
<th>2C (PJ)</th>
<th>2P (PJ)</th>
<th>3C (PJ)</th>
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<td>-</td>
<td>49</td>
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<td>103</td>
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<td>43</td>
<td>-</td>
<td>544</td>
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<tr>
<td>ATP814P</td>
<td>Sapphire</td>
<td>76</td>
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<td>128</td>
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<td>102</td>
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<td></td>
<td>Monslatt</td>
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</tr>
<tr>
<td></td>
<td>Lancewood</td>
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<td>23</td>
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<td>0.8</td>
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<td>South</td>
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<td>-</td>
<td>853</td>
<td>50</td>
<td>3,516</td>
<td>187</td>
</tr>
</tbody>
</table>
**Competent Person Statement**

The estimates of Reserves and Contingent Resources have been provided by Mr. John Hattner of NSAI. Mr. Hattner is a full time employee of NSAI, has over 30 years of industry experience and 20 years 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).
SURAT BASIN
ATP854P

- Material oil prospect ready to drill.
- Significant CSG exploration in adjacent permits.
- New oil prospect highlights Queensland oil & gas opportunities.

<table>
<thead>
<tr>
<th>AREA</th>
<th>828km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOLDING</td>
<td>100%</td>
</tr>
<tr>
<td>POTENTIAL</td>
<td>CSG and Conventional Oil &amp; Gas Plays</td>
</tr>
<tr>
<td>TARGETS</td>
<td>Permian Bandanna Coal Measures, Jurassic Walloon Coal Measures, Conventional Jurassic Oil (Precipice Sandstone)</td>
</tr>
<tr>
<td>EXISTING DATA</td>
<td>Core hole drilling program and production tests</td>
</tr>
<tr>
<td>WORK COMMITMENT</td>
<td>Core hole drilling program and production tests</td>
</tr>
<tr>
<td>INFRASTRUCTURE</td>
<td>Close to infrastructure gas pipeline</td>
</tr>
</tbody>
</table>

ATP854P is located near the township of Injune in central Queensland. The Wallumbilla – Gladstone gas pipeline passes through the eastern portion of the permit, and gas discovered in this block is therefore well located to access this infrastructure and move gas either through to Gladstone, or back to Wallumbilla and into the south eastern Queensland, South Australian or Sydney gas markets.

Initial focus of exploration in this permit was on two distinct Coal Seam Gas Plays, the Walloon Coal Measures which are productive to the south on the Undulla Nose and the Roma Shelf, and the Permian Baralaba Coal Measure Play, which is productive at Fairview and Spring Gully.

The Late Permian CSG play in ATP854P was initially investigated with the drilling of Cerulean 1 and Cobalt 1 coreholes and the Cerulean 2 pilot test well in 2008. Exploration drilling by an adjacent tenement holder (GLNG) has been conducted on the north eastern boundary of ATP854P and resulted in gas production from the Permian coals at the Glen Rock pilot wells. In addition NSAI currently assess the Permian Baralaba Coal Measures within ATP854P to contain approximately 103PJ of Contingent Resource (3C).

The Marburg 1 conventional oil play emerged from a detailed review of available data. The Marburg feature is mapped as a structural closure over 39km² with vertical relief of 55 metres. It is due to be drilled in October 2013.
## Reserves & Resources – ATP854P

<table>
<thead>
<tr>
<th>Permit</th>
<th>Block</th>
<th>1C (PJ)</th>
<th>1P (PJ)</th>
<th>2C (PJ)</th>
<th>2P (PJ)</th>
<th>3C (PJ)</th>
<th>3P (PJ)</th>
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</thead>
<tbody>
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<td>23</td>
<td>-</td>
<td>49</td>
<td>-</td>
<td>103</td>
<td>-</td>
</tr>
</tbody>
</table>
Blue Energy reached an agreement in May 2013 with Australian Oil and Gas Pty Ltd to farm into 9 permits (3 awarded and 6 applications) in the Wiso Basin of Central Northern Territory. Under the agreement, Blue Energy becomes Operator of the permits and will conduct Geological and Geophysical Studies, acquire aeromagnetic and gravity survey data and acquire 2D seismic data. The areas under application require Native Title Agreements to be in place before they can be awarded. Blue Energy is currently in the process of undertaking these negotiations.

The Wiso Basin is an essentially un-explored basin lying to the north of the Amadeus Basin, which contains the Palm Valley gas field and Mereenie gas and oil field. The surface area known to overlie the Wiso Basin is the Tanami Desert region of the Northern Territory. The currently recognised sedimentary section consists of Cambrian aged sequences with affinities to those same aged rocks known to exist in the Georgina Basin.

Accordingly, there is a strong likelihood that extensive Cambrian aged marine source rocks will be present in the Wiso Basin. In Late Proterozoic and Cambrian times (800-500 million years ago) the Wiso Basin area was part of an area known as the Rodinia Supercontinent (this predated Pangaea). The paleogeography of this era shows that the proto Australian continent lay in close proximity to the Arabian Plate (Oman) and the East Siberian region of Russia. Both these areas have Protoreozoic to Cambrian rocks which contain significant volumes of oil and gas and are on production. It follows therefore that the same source rocks could be present in both the Wiso and Georgina Basins and may be as equally prospective for hydrocarbons.

The older sedimentary basins in Australia have not received significant exploration attention since the discovery and production facility at the Palm Valley and Mereenie fields in the Amadeus Basin. This is largely due to general low commodity prices and the remoteness of...
these basins. However, the analogue basins to the Wiso and Georgina Basins have by contrast been extensively drilled and very significant discoveries of oil and gas have been made from these old rocks. As an example, on the Arabian Plate in the Neo-Proterozoic and Cambrian salt basins of Oman, there is 5 billion barrels of proven oil reserves identified and some 4,900 oil wells in the oldest globally known oil producing rocks. An additional analogy for the Wiso Basin can be found in Eastern Siberia basins were Cambrian and Neo Proterozoic rocks provide both a source and reservoir for nearly 14 billion barrels of proven oil reserves and 11,000 producing wells. Clearly these old sequences have the capacity to house supergiant oil fields and the paleogeography of the Cambrian age places the Central Australian basins in a very attractive neighbourhood for exploration.
Significant acreage secured.
Major international oil and gas company interest.
Proven petroleum system with structural and low permeability opportunities.

**AREA**

21,351km²

**HOLDING**

Preferred Tenderer at 100%

**TARGETS**

Cambrian-aged Arthur Creek “Hot Shale” Formation, Thorntonia Limestone, Steamboat Sandstone

**WORK COMPLETED**

None to date – application areas

**INFRASTRUCTURE**

Gas pipeline to Mt Isa

Blue Energy successfully tendered for ATP1114A, ATP1117A & ATP1123A within the Southern Georgina Basin Queensland. The three large contiguous tenure areas are located on the NT/QLD border approximately 50km southwest of Mount Isa. Native Title Agreements and Environmental Authorities are required before the permits can be granted, and Blue Energy has commenced the process for obtaining these.

The Georgina Basin has been sparsely explored to date, with efforts previously focused on conventional structural hydrocarbon plays in the middle Cambrian to Ordovician aged sequence present within the southern parts of the basin. More recently, the Cambrian aged Arthur Creek Formation which contains a thick organic rich marine source rock sequence has been the target of renewed exploration in the Northern Territory portion of the Georgina Basin. The Arthur Creek Formation represents a potentially large unconventional hydrocarbon play, which is believed to be oil prone. Geoscience Australia has undertaken a comprehensive geochemical analysis of source rock extracts from existing well data in the basin and has identified at least three valid and active petroleum systems.

Blue Energy’s focus will be on the prospective shale facies for liquids and structural traps for conventional hydrocarbons accumulations within the Georgina Basin sequence. The Cambrian section, notably the Arthur Creek shale formation, will be assessed for shale oil potential, and oil generated from these early Cambrian source rocks that may have migrated into overlying stratigraphic and structural plays associated with the Delamerian Orogeny in the Late Cambrian to Early Ordovician.

Central Petroleum/Total and PetroFrontier/Statoil are among the active operators with adjacent acreage to Blue Energy’s Southern Georgina Basin permits.
Significant industry capital expenditure committed to explore the region.
Other explorers de-risking the basin.

**ATP1112A** is located in the Carpentaria Basin of North Western Queensland. Blue Energy was successful in tendering for this permit. It is located south of the Gulf of Carpentaria region and approximately 40km west of Normanton. Native Title Agreements and Environmental Authorities are required before the permits can be granted, and Blue Energy has commenced the process for obtaining these as soon as possible.

The area has had little exploration seismic or drilling. The focus will be on delineating the prospective marine shale facies for shale gas and oil potential and for structural traps containing hydrocarbons which have migrated from the source rocks in the McArthur Basin sequences.

Early Cretaceous sandstones sealed by the mid Cretaceous mudstones within the Carpentaria Basin provide excellent reservoir potential.

Blue Energy will continue the process of negotiating a Native Title Agreement with Traditional Owner groups to assist the progress this permit to award.
COOPER BASIN

ATP656A, ATP657A, ATP658A and ATP660A

» Established liquids producing basin.
» Giant proven natural gas basin.
» Major oil discovery and production (Inland Oil Field) within 20km

<table>
<thead>
<tr>
<th>AREA</th>
<th>5,357km²</th>
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</thead>
<tbody>
<tr>
<td>HOLDING</td>
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</tr>
<tr>
<td>TARGETS</td>
<td>Conventional oil and natural gas, shale gas and oil potential</td>
</tr>
<tr>
<td>WORK COMPLETED</td>
<td>None to date – application areas</td>
</tr>
<tr>
<td>INFRASTRUCTURE</td>
<td>Proximity to oil production and gas pipeline</td>
</tr>
</tbody>
</table>

Blue Energy has a 100% interest in four ATP applications in the Cooper Basin area of Western Queensland. These applications are in the final stages of award, with Native Title Agreements in place and only Environmental Authorities required prior to award. Blue Energy is the Operator.

The area of the Cooper Basin where these permits are located represents the Northern Flank of the Cooper Basin, and as such could be viewed as an analogue of the Western Flank in the South Australian sector where there has been impressive success in the finding and production of oil in the Eromanga Basin sequence. To date there has been little modern exploration in Blue Energy’s application areas (3D seismic acquisition and modern sequence stratigraphy) to understand the subtle interplay of reservoir development and distribution, particularly in the Birkhead Formation and Murta Member. Most of the well penetrations in these permits were conducted in the 1980’s and 90’s looking for obvious structural targets identified from 2D seismic data.

The hydrocarbon plays that Blue Energy expects to be able to delineate in these areas include Murta and Namur Sandstone.

Birkhead Formation and Hutton Sandstone oil plays as well as possible Permian gas plays, both conventional and unconventional.

The concept of an oil prone basin margin play in this area is bolstered by the existing oil producing fields adjacent to the Blue Energy acreage at Cook, Cuisiener and Inland.

The key to unlocking the potential of this area is the acquisition of 3D seismic and development of the depositional models for the major reservoir units and source rock intervals on this underexplored flank.
BOWEN BASIN

ATP 814P

- Adjacent to Arrow Energy’s Moranbah gas field.
- Planned pipeline to connect to Gladstone LNG.

<table>
<thead>
<tr>
<th>AREA</th>
<th>2,222km²</th>
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<tbody>
<tr>
<td>HOLDING</td>
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<tr>
<td>COAL SEAMS</td>
<td>Rangal Coal Measures, Fort Cooper Coal Measures and Moranbah Coal Measures</td>
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<tr>
<td>EXISTING DATA</td>
<td>CSG wells within the area</td>
</tr>
<tr>
<td>INFRASTRUCTURE</td>
<td>Townsville gas pipeline within 40km; Developing CSG gas supply for Gladstone LNG market</td>
</tr>
<tr>
<td>WORK COMMITMENT</td>
<td>CSG Drilling</td>
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</table>

ATP814P consists of seven disconnected blocks in the Bowen Basin in an area ranging from south of Moranbah up to Newlands in the Northern Bowen Basin. This general area is one of the largest coal mining areas in Australia.

The main targets for CSG exploration in the permit are the Late Permian coal sequences, namely the Rangal/Bandanna Coal Measures, Fort Cooper Coal Measures and Moranbah Coal Measures. All of these sequences occur variably within the blocks comprising ATP814P. There is established CSG production from all these formations in the vicinity of ATP814P, most notably the Moranbah Gas Project, operated by Arrow Energy. Currently the Moranbah Gas Project supplies gas into the domestic market, however the region surrounding ATP814P is operated by Arrow Energy which has aspirations to supply gas to the Gladstone LNG projects and consequently the area surrounding ATP814P is subject to high levels of drilling activity and infrastructure development.

Drilling undertaken by Blue Energy in the permit over the last year has focussed on the Sapphire Block which is flanked by Arrow Energy’s Production Licences. The Sapphire 4 well was drilled and completed as a Pilot production well and is currently on extended production test and flowing gas at sub economic rates, from a single zone in the Fort Cooper Coal Measures. Activity on the flanks of the Sapphire Block has conferred 2P (50PJ) and 3P (180PJ) reserves in the Sapphire Block by Netherland and Sewell and Associates (NSAI), who are the Dallas based certifier acting for both Blue Energy and Arrow Energy.

Previous drilling activity by Blue Energy to the east in the Monslatt Block has established a large Contingent Resource base, and at this stage, various stimulation and completion options are being investigated to facilitate conversion of the Contingent Resource to Reserves.

Adjacent activity by other Operators in both the ATP814P South and Lancewood Blocks has also resulted in 3P Reserves and Contingent Resources being conferred to Blue Energy by NSAI.
## Reserves & Resources – ATP814P

<table>
<thead>
<tr>
<th>Permit</th>
<th>Block</th>
<th>1C (PJ)</th>
<th>1P (PJ)</th>
<th>2C (PJ)</th>
<th>2P (PJ)</th>
<th>3C (PJ)</th>
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<td>ATP814P</td>
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<td>76</td>
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<td>761</td>
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<td>2,869</td>
<td>187</td>
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</table>
MARYBOROUGH BASIN
ATP613, ATP674 and ATP733

Petroleum system identified.
Significant gas potential.
Strategic location for domestic and export gas.

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<tr>
<th>AREA</th>
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<td>HOLDING</td>
<td>75% interest post farm-in</td>
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<tr>
<td>TARGETS</td>
<td>Burrum Coal Measures, Maryborough Formation, Gregory Sandstone (Conventional)</td>
</tr>
<tr>
<td>WORK COMPLETED</td>
<td>27km seismic, 2 core wells</td>
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<tr>
<td>INFRASTRUCTURE</td>
<td>Gas pipeline travels through the block</td>
</tr>
</tbody>
</table>

The Maryborough Basin Application areas ATP674A and ATP733A have recently been granted as new exploration permits by the Qld Government, following the execution of Native Title Agreements with both the Butchulla and Port Curtis Coral Coast Peoples. These permit areas were originally applied for by Magellan Petroleum (Eastern) Pty Ltd in 2003. Subsequently, Magellan Petroleum sold the assets to Adelaide Energy Limited, which in turn was taken over by Beach Energy in 2011. Ownership of these permits will therefore transfer to Beach on execution of the respective transfer documentation by the Government.

Blue Energy entered a commercial arrangement with Magellan in 2005 to farm into the Maryborough Basin permit areas, and is Operator of the Permits with respect to geological oversight and execution of the work program. Hence, when searching the statutory database, Magellan is still cited as the permit owner as Blue is still to complete the farm in works to crystallise its percentage interest in the permits.

The Maryborough Basin is unlike the Surat Basin, Bowen Basin and Cooper Basins, in that there is no existing petroleum production in the area, despite there having been some petroleum exploration in the region. In the 1950’s, petroleum exploration wells were drilled in the Cherwell and Susan River areas, however no commercial discovery was made. In the 1960’s and again in the 1980’s and early 2000’s, petroleum wells were drilled in search of hydrocarbon accumulations and again despite no commercial hydrocarbons being discovered at that time, the wells confirmed that a hydrocarbon source was present within the stratigraphic sequence of the Maryborough Basin.

Marine source rocks of the Maryborough Formation (Cretaceous age) have been demonstrated to be a viable source rock interval, as have the Jurassic Tiaro Coal Measures and Cretaceous Burrum Coal Measures (which have been mined for coal since the early 1900’s).

The potential for hydrocarbon accumulation therefore is postulated to exist in the Tiaro Coal Measures, Gregory Sandstone, the Maryborough Formation and the Burrum Coal measures.
The Maryborough Basin is an area of sedimentary deposition that was isolated from the dominant sedimentary processes that occurred in the Surat, Bowen and Cooper Basins further to the west. Consequently, there is little similarity with those basins in terms of sedimentary section. Accordingly the Maryborough Basin is not considered to have affinities with the Great Artesian Basin sequences that are a prolific source of artesian water throughout inland Australia. As part of the desk top study process, Blue Energy will confirm these assumptions.

The work program for the newly awarded permits consists of Geological and Geophysical desk top studies together with the acquisition of new seismic data in the first two years of the four year permit term, followed by the drilling of single exploration well in the latter two years in each permit. These wells are likely to be similar in depth and design to those already drilled in the region by previous petroleum companies. This activity level is designed to provide basic geological data to evaluate if there is any potential for commercial hydrocarbons in the area. In conjunction with this work program there is potential to evaluate the Burrum syncline for the presence of economic Coal Seam Gas though the drilling of targeted areas within the syncline.
GALILEE BASIN
ATP813P

- Solid Contingent and Prospective Resource.
- Infrastructure and gas demand developing.

<table>
<thead>
<tr>
<th>AREA</th>
<th>4,158km²</th>
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<tr>
<td>HOLDING</td>
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<tr>
<td>POTENTIAL</td>
<td>CSG and Conventional Oil</td>
</tr>
<tr>
<td>TARGETS</td>
<td>Aramac Coal Measures, Betts Creek Formation, Hutton Sandstone</td>
</tr>
<tr>
<td>EXISTING DATA</td>
<td>Rodney Creek wells, Lake Galilee 1, Splitters Creek 1 and Thunderbold 1, MyRoss 1, Ballyneety 1, Staninburn Downs 1, Kanaka 1</td>
</tr>
<tr>
<td>INFRASTRUCTURE</td>
<td>70km from the Barcaldine power station</td>
</tr>
<tr>
<td>WORK COMMITMENT</td>
<td>Exploration drilling</td>
</tr>
</tbody>
</table>

ATP813P covers a large area in the Galilee Basin in Central West Queensland. The Galilee Basin is lacking in gas infrastructure and for this reason there has been little incentive in the past to explore for conventional gas. Previous exploration occurred in the 1970's and 80's for conventional oil and more recently through Enron and later Galilee Energy, AGL, Comet Ridge and Exoma, for Coal Seam Gas potential. The renewed interest in the Galilee Basin has occurred through the gazettal process with award of large tracts of petroleum exploration acreage under the Petroleum and Gas legislation. Currently there is no commercial CSG production from the Basin.

The main CSG play in the Galilee Basin is the Late Permian Betts Creek Coal Measures which are the time equivalent coal measures of the Bandanna and Rangal Coal Measures of the Bowen Basin and the Toolachee Formation of the Cooper Basin. Blue Energy’s Galilee Basin tenement occupies a central position in the Galilee Basin. The Betts Creek sequence has also been targeted by coal exploration companies to the east, where the sequence outcrops, and several significant export coal mining operations are in planning stage.

Following the encouraging results of the Carolina 1 well drilled in 2008, Blue Energy embarked on an expanded CSG exploration program to assess the potential of the Late Permian sequence. Accordingly, Blue Energy has drilled a further four CSG coreholes in the permit and as a result has been ascribed Contingent and Prospective Resources across approximately 25% of the permit area by Netherland Sewell and Associates (NSAI).

To date the Pilot production CSG wells in adjacent permits Operated by AGL Limited and Comet Ridge have not yet yielded commercial flows of gas. Blue Energy is undertaking further core hole drilling to extend the geological understanding of the permit together with increasing the Contingent Resource base.
### Reserves & Resources – ATP813P

<table>
<thead>
<tr>
<th>Tenement Area</th>
<th>Contingent Resource (3P)</th>
<th>Prospective Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATP813P</td>
<td>554PJ</td>
<td>1,142PJ</td>
</tr>
</tbody>
</table>

![GALILEE BASIN](image.png)
Communities and Our Social Licence to Operate

Blue Energy interacts and engages with stakeholders in many towns and communities as part of the Company’s activities on exploration tenements across Queensland and the Northern Territory.

We are proud of our record and of our ongoing commitment to work hard to earn the respect of the various communities with which we are involved.

This approach has to date achieved extensive community and stakeholder support for, and approval of, our operations and of the way we conduct ourselves as guests in those communities.

At the same time, we are mindful that groups such as landholders, business owners, service providers, traditional owners, community groups, and other organisations, may be affected in some way by the work undertaken by Blue Energy.

With both primary industries and the energy sector being so vital to our everyday lives, it is therefore important that we continue to support community interest and involvement in all issues relating to our important energy sector.

Relationships with our stakeholders

Blue Energy’s goal continues to be the building of effective and positive relationships in each of the locations in which we operate and to ensure our operations benefit local communities.

Relationship-building is an ongoing process, and we are dedicated to fairly and effectively managing our stakeholder consultations, negotiations, and land access. Our relationships are built on:

> transparent and open communications
> mutual respect
> establishment and maintenance of good relationships
> meeting, and where possible, exceeding expectations.

Understandably, landowners and others will continue to have questions and we take every opportunity to discuss all of the issues and to provide factual information about petroleum exploration.

We also view our role as working with stakeholders in areas such as planning work programs with consideration for landowner businesses and reaching agreement on operational aspects of our business that minimises our impact on the landowners’ activities. We have found most landowners receptive to our approaches.

Finally, we respect the rights of any who may not wish to pursue discussions regarding petroleum exploration activities. To date, only a small number of landowners have not wished to participate.

Exploration Activities vs Development & Production Activities

While most of today’s media coverage centres on the activity surrounding Queensland’s major, high profile LNG export projects, these projects do not represent the exploration activities currently undertaken by Blue Energy.

Exploration is about finding a petroleum opportunity, drilling the opportunity and if successful appraising it to determine commerciality. This process is essentially similar for both conventional and unconventional hydrocarbons. Such activities can be as minimal impact as conducting desktop studies which in turn can lead to drilling of stand-alone core holes or exploration wells and with success, to multiple (say 3 or 5 spot) pilot appraisal wells that are production tested for several months – up to 12 months. Alternatively, conventional oil and gas exploration wells can be tested then additional appraisal wells drilled to confirm the extent of any hydrocarbon accumulation.

Compared to development and production activities, exploration is low in intensity (well numbers)
and uncertain in outcome (they may fail or might succeed). In fact, petroleum exploration activities have been ongoing in many areas of Queensland for decades and have commonly gone unnoticed because of their small impact. Exploration involves the acquisition of basic geological data and the discovery of unknowns. It therefore requires flexibility and adaptability, and exploration companies will often be unable to precisely define where, when and what type of activities are planned and on whose property the activities might be undertaken until basic desktop studies and potentially seismic data is acquired and interpreted. For CSG opportunities, the full spectrum of exploration may take many years before demonstrating sustained and commercially viable hydrocarbon production rates.

Exploration carries a high risk of failure, and only a small percentage of exploration activities yield a successful outcome and then progress to development and production. Long before any work starts on the ground for development and production projects, many off-site studies are undertaken, including subsurface studies, engineering design, environmental impact assessments, community consultation and planning, infrastructure planning, etc. These lead-up efforts in turn contribute to the application for a petroleum production licence which is then assessed by the Government. To date, Blue Energy has not entered this phase on any of our tenements.

Community support
We believe the exploration activities conducted by Blue Energy will bring economic growth and opportunities to local communities, including providing direct support to local organisations and events. Our recent community sponsorships include:

- Ballyneety Rodeo Club
- Aramac Rodeo Club Inc
- Summer Family Appeal – Family car accident Nebo
- Quick Shear
- Aramac school
- Nebo Bushmans carnival Inc
- Flock and Ewe show
- Maryborough Hospital
- Muttaburra school

Protection of Underground Waters and the Environment
Blue Energy understands and fully endorses the need to protect valuable aquifers. Fortunately, CSG does not come from the prolific or high quality conventional aquifer sands, such as those key sandstone aquifers of the Great Artesian Basin. To produce CSG, the target coals need to have very limited connectivity to aquifer formations; otherwise, only water would be produced with no gas. A report from Geoscience Australia to the Australian Government recommends a precautionary approach but concludes the risk of impact from CSG production is minimal to the clean aquifers of the Great Artesian Basin. This point is being confirmed by more and more scientifically robust studies which highlight specific and localised areas of impact and concern, and which will be the focus for monitoring and mitigation of impacts.

The petroleum industry, which includes CSG, is a heavily regulated industry, and has been for many decades. In Queensland, where the first petroleum regulations began in 1923, the state’s Petroleum and Gas Act underwent a major regulatory update in 2004. Each year since then, more regulations have been installed and continue to be added. In addition to the Petroleum and Gas Act, other pieces of legislation, such as the Water Act 2000, provide further environmental requirements. For each of Blue Energy’s exploration tenements, we operate under an Environmental Authority that can have more than 100 conditions specific to the area of the permit. At present, the current number of regulations and conditions are estimated to total around 2,500 for exploration activities.

More information
Timely access to factual and meaningful information is important to all of us. To help ensure such a process is in place, Industry groups and the Queensland Government are combining to publish a number of fact sheets and information documents on the CSG industry. If you have more questions, please contact Blue Energy, visit our website www.blueenergy.com.au, or the websites of the Queensland Government www.lng.industry.qld.gov.au and the Australian Petroleum Production and Exploration Association (APPEA) at www.appea.com.au.
Mr John Ellice-Flint is an Australian-born businessman and Petroleum Geologist whose foresight and wide-ranging oil and gas industry credentials are recognised internationally. John has over 40 years of exploration, production, operations and commercial experience in the oil and gas industry and has held many senior positions with multinational exploration and production companies. John’s achievements in the oil and gas industry are well-known and highly respected. Following a 26 year international career at Unocal Corporation, serving in a variety of senior executive roles within strategic planning, exploration and technology functions, John became Managing Director and CEO of Santos Limited, Australia’s largest domestic gas producer, from 2000 – 2008. John guided Santos Limited through a major growth period which culminated in the recognition of the potential of coal seam gas development through the Gladstone LNG export project in Queensland.

John Phillips
BSc (Hons), GAICD
Managing Director, CEO
John is a Petroleum Geologist with 30 years experience in the oil and gas industry. John joined Blue Energy as Chief Operating Officer in May 2009, was promoted to CEO in April 2010 and joined the Board of Blue Energy in June 2010. John’s career in industry has involved conventional oil and gas and coal seam gas experience in a variety of petroleum basins both domestically and internationally. John has gained extensive operational experience through his involvement with Delhi Petroleum, Esso, Conoco, Petroz and Novus, culminating in his role as Chief Operating Officer with Sunshine Gas before its takeover by QGC and subsequently by the BG Group.

Rodney Cameron
BComm (Hons), MBA, MFM, FAICD, CPA
Deputy Chairman
Rodney has over 30 years industry experience, particularly in the energy and resources industries. He is a seasoned financial executive having been CFO for an ASX listed multi-national renewable energy company, as well as an executive director and CFO for a US multi-national independent power generation company. Rodney has also worked in various management capacities for National Australia Bank, Rio Tinto, Telstra, and Atlantic Richfield Inc.
Karen Johnson  
BComm, FCA  
Non Executive Director  
Over the last 20 years Karen has held senior roles specialising in audit, assurance, technical and corporate governance consulting and financial accounting engagements within Chartered Accounting firms, public sector entities and public companies. Karen brings to the Board strong technical accounting skills through knowledge and application of Australian Accounting and Auditing Standards and an ability to quickly grasp complex business operations and identify the key risk areas for analysis, risk assessment and critical evaluation.

Jooho Maeng  
B.Man, MBA  
Non Executive Director  
Mr Jooho Maeng is the nominee of Korea Gas Corporation (KOGAS), the largest LNG importer in the world. He has gained his extensive knowledge and experience in Asian LNG Markets over the last 20 years in roles within KOGAS. During this time, he has built strong relationships with LNG companies in Japan and China. He also has over 10 years’ experience in the development of projects such as DS LNG, LNG Canada, Prelude and GLNG. With respect to the Prelude and GLNG Project, Mr Maeng has been involved from the beginning of these projects. This keen interest in the Australian gas industry has led to his appointment as a director of KOGAS Australia, one of the four shareholders in the GLNG Project.

Stuart Owen  
BBus, CPA, GAICD  
Company Secretary / CFO  
The Company Secretary is Stuart Owen, appointed 14 July 2010. Mr Owen is also Chief Financial Officer and has a wide experience in the energy sector in coal and gas fired power generation including the use of landfill gas and liquefied natural gas. Stuart has held wide ranging commercial management and finance roles, including as Commercial Manager for Energy Developments Limited. Prior to this role, Stuart was commercial manager on the delivery of a multi-site gas fired power generation project and micro LNG plant. Stuart also has experience in the project financing, mergers and acquisitions and project development.
KEY DATES*

Quarterly Reporting

AGM – 28 November 2013
Annual Financial Statements – 19 September 2014
Half Yearly Accounts – 7 March 2014

* Estimated dates only. Dates may vary without notice.

CORPORATE DIRECTORY

Directors
Mr John Ellice-Flint (Chairman, Executive Director)
Mr Rodney Cameron (Deputy Chairman)
Mr John Phillips (Managing Director, CEO)
Ms Karen Johnson (Non Exec. Director)
Mr Jooho Maeng (Non Exec. Director)

Chief Financial Officer
Mr Stuart Owen

Company Secretary
Mr Stuart Owen

Principal Registered Office in Australia
Level 3, 410 Queen Street, Brisbane, Qld, 4000.
+61 7 3270 8800

Share Registrar
Computershare Investor Services Pty Limited
117 Victoria Street, West End, Qld, 4101.
1300 787 272

Website
blueenergy.com.au

TOP 10 SHAREHOLDERS

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Units</th>
<th>% of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ANZ NOMINEES LIMITED &lt;PRIMEBROKER-PSL NO3 HLDG A/C&gt;</td>
<td>114,062,417</td>
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<td>2.</td>
<td>STANWELL CORPORATION LIMITED</td>
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<td>3.</td>
<td>NATIONAL NOMINEES LIMITED</td>
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<td>4.</td>
<td>KOGAS AUSTRALIA PTY LTD</td>
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<td>5.</td>
<td>JEACH PTY LTD &lt;THE PIPPI SUPER FUND A/C&gt;</td>
<td>51,976,500</td>
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<td>J P MORGAN NOMINEES AUSTRALIA LIMITED</td>
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<td>UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD</td>
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<td>ASPAC MINING LIMITED</td>
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<td>9.</td>
<td>BT PORTFOLIO SERVICES LIMITED &lt;WARRELL HOLDINGS S/F A/C&gt;</td>
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<td>10.</td>
<td>HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED</td>
<td>14,535,627</td>
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1000km

BRISBANE

&

OIL

GAS