GAS:
THE TRANSITION TO A CLEANER ENERGY FUTURE

blueenergy limited

ANNUAL REPORT 2011

A LEADER IN THE GAS EXPLORATION INDUSTRY

Blue Energy is a rapidly evolving energy exploration company strategically positioned with significant gas assets (CSG and shale) throughout Queensland to meet the rising demand for cleaner power

2011 HIGHLIGHTS I 2012 OUTLOOK

CHAIRMAN'S LETTER I MANAGING DIRECTORS REPORT

BUSINESS STRATEGY I MISSION, COMMERCIALISATION STRATEGY I PARTNERSHIPS

COMMUNITY, ENVIRONMENT, OUR PEOPLE

OUR ASSETS

FINANCIAL REPORT 2011

2011 HIGHLIGHTS
2012 OUTLOOK

Mission

- To build a 3P reserve base of 3,000 PJ's by year end 2014
- To develop a significant and diverse exploration portfolio

2011 HIGHLIGHTS

- Zero Lost Time Injuries (LTI's)
- 4 years operating with no LTI's
- Zero environmental incidents
- First 3P reserves of 39PJ
- Independent CSG resource certification
  - 3C contingent resources of 2,590PJ (Recoverable)
  - Prospective resources of 2,243PJ (Recoverable)
  - World class gas content recorded
- Production testing commenced
- High grading of acreage
- Identification of shale gas potential in Maryborough Basin
- MOU for supply of gas in the Moranbah (ATP814P) region

2012 OUTLOOK

- Achieve commercial gas flow rates in ATP814P
- Deliver 2P and 3P reserves from the Monslatt Contingent Resource
- Targeting 1,000PJ of 3P reserves within 12 months
- Execute Gas sales agreements to initiate development activity
- Continue to undertake work on the Production Licence approval process for the Monslatt resource
- Initiate front end engineering design for a Monslatt gas development
- Advance small-scale LNG projects
- Ongoing review of all opportunities that will add shareholder value
- Commence exploration activities in the Maryborough basin

CHAIRMAN'S LETTER

DEAR FELLOW SHAREHOLDERS

I am pleased to present our Annual Report for 2011 and provide an overview of the significant achievements made by our Company in the last 12 months.

As an industry, the Coal Seam Gas sector can no longer assume that there will be little public interest in CSG extraction. Communities have become closely involved in the industry's activities and are significant stakeholders. As a company, Blue Energy is committed to securing a valid social licence to operate within the regions in which we hold exploration tenure. This has been done by engaging with the communities, and ensuring that we have a positive impact on the community regardless of exploration success. We need to explain the process of gas exploration, and appraisal and the impacts with all stakeholders.

From a concept in the mid 1990's when coal seam gas was viewed as an unreliable, potential domestic gas source, to an industry that in 2011 supplies gas to underpin 15% of Queensland electricity generation, the CSG industry has spawned a totally new industry for Queensland which could potentially supply the world with up to 30 million tonnes per annum of cleaner burning LNG.

The diversification this new industry brings to the Queensland economy will be significant, as the State will not only be a part of the enormous Asian growth cycle through skyrocketing coal demand, but now will be able to de-risk its revenue reliance through the new LNG industry which will provide significant gas to those same growth engines.

The rapid development of the CSG to LNG projects is something that continues to challenge industry, regulators and stakeholders. As the legislative rewrite of the Petroleum and Gas Act in 2004 was put in place before the CSG-LNG industry was conceived, it is understandable that there are requirements to adapt legislation to cope with the significant change in activity levels that this industry brings.

It is clear that the rapid expansion of the industry is causing concerns in some sections of the rural community. The issues are complex, but largely centralise around principles of land access, compensation, potential impacts to aquifers in the Surat Basin area and disturbance of intensely cultivated ground. Whilst some of these issues are locality specific (eg. potential aquifer impact and intensive land use areas), others are applicable to all areas such as land access principles and compensation. Many of these issues can be addressed through improved communication, education and negotiation.

Under legislation in all states of Australia, established through common law principles from the mid 1800's, ownership of the subsurface resides with the Crown (ie. the States). This includes minerals, hydrocarbons and water. Companies are granted rights to explore for, and if successful, develop the mineral and hydrocarbon resources in the subsurface. For petroleum exploration, State Governments identify prospective areas within their boundaries and gazette these areas as exploration areas. They encourage companies to submit applications for these areas and to expend funds in the search for these natural resources. The areas put up for exploration by government are solely controlled by the individual States. Companies locally pay a nominal annual rent to the governments for the right to explore these areas, and then should their exploration efforts prove successful, royalties are paid to the government based on the value of the commodity produced. Exploration however, is not always successful.

It is clear from the financial sanction of three massive LNG export plants in Gladstone that the gas business in Queensland is about to change dramatically.

Queensland currently produces approximately 610 TJ/day of gas. Of this, approximately 80 TJ/day is sent to southern markets. The Queensland Government has mandated that at least 15% of electricity generated in the state must be derived from gas.

The current 2P reserves position in Queensland is approximately 39,900 PJ. A significant amount (84%) of this reserve is earmarked for export LNG projects. With the Queensland Government stating that there will be no new coal-fired power generation built without Carbon Capture and Sequestration (CCS) technology, and the closing down of the Zerogen CCS trial, it is unlikely that growth in electricity demand will be met by new coal fired generation capacity. It is also unlikely that electricity supply from renewable energy sources, although growing at a phenomenal rate, and underpinned by government subsidy, can meet the growth in demand (approximately 6% pa over the last 10 years). Renewable energy production currently accounts for only 2.1% of total electricity production (wind plus solar pv) in Australia. whilst hydro-electricity accounts for 5% of electricity generation in Australia, primarily in Tasmania and Victoria. There seems however, to be a reluctance to invest in dam infrastructure for either water storage or electricity generation. It therefore falls to gas to underpin the growth in electricity generation in Australia.

Australia has an abundance of natural gas, and now with the CSG developments, this feed stock is relatively close to large demand centres and transmission infrastructure. The challenge will be to secure sufficient domestic gas supply from those 2P reserves, the majority of which are destined for the world market.

Australia has historically had some of the cheapest natural gas in the world, has a small, relatively affluent population and is significantly distant from trading markets. Consequently, Australia has not developed a large manufacturing base to utilise the abundant natural gas resource, and so the supply-demand equation has been firmly skewed to oversupply, leading to a history of low domestic gas prices.

With the advent of a global market for Australia's gas via the LNG industry, the demand side will now drive gas pricing at the export terminal. This will also have an effect on domestic gas prices. As current domestic gas contracts roll off over the coming years, gas producers will have the opportunity to supply gas to the LNG exporters. We now see that gas previously earmarked for domestic gas supply, will supply the export LNG market with the corresponding higher net back pricing. Other gas producers will have the opportunity to achieve higher net back gas prices by offering gas to the Gladstone LNG projects. As a result, it is likely that there will be upward pressure on prices for domestic gas supply, through this convergence of export and domestic gas prices.

Blue Energy's exploration acreage is well situated to capitalise on the growing demand of both the domestic and export markets. The resource base that is being developed in ATP814P is receiving primary focus as it is strategically located in the Bowen Basin, adjacent to both an area of high energy demand as well as a supply source for a major LNG export project proposed for Gladstone.

In addition, the exploration acreage portfolio contains a variety of hydrocarbon plays, which with careful exploration, could deliver significant upside.

I therefore have faith that the continued diligence and hard work from the staff at Blue Energy will deliver the value to shareholders inherent in the assets.

Peter Cockcroft
Chairman

It has been a challenging 12 months with volatility in world equity markets and debt-laden economies impacting investment sentiment

MANAGING DIRECTOR'S REPORT

It has been a challenging 12 months with volatility in world equity markets and debt-laden economies impacting investment sentiment. Nevertheless, several of the world class CSG to LNG projects in Queensland have progressed significantly in this economic setting. This has bolstered confidence that the new export LNG sector in Queensland will proceed and provide both unprecedented growth in gas demand and the development of a strong long term energy industry that will bring significant benefits to the state. Ramp up of activity on these CSG to LNG projects has also generated significant public interest in the broader CSG industry.

The extensive and extreme weather events experienced across areas of Queensland in January 2011 resulted in prolonged delays in accessing our primary focus areas (ATP814P), as well as to the majority of Blue Energy's other permit areas. Most other Operators also experienced similar issues. Consequently, the completion and production testing program at Monslatt has been impacted.

As a result, Blue Energy is not as far advanced as we had hoped with respect to the reserve growth process that the Company has embarked upon.

Notwithstanding these setbacks, Blue Energy has made significant progress from this time last year. We have more than doubled our Contingent Resource base to 2,590 PJ (recoverable 3C). With significant resources identified in two separate basins, we also established our maiden reserves of 39PJ 3P in ATP814P and identified a potentially significant new play in the Maryborough Basin.

The challenge for Blue Energy in the coming twelve months is to execute our strategy and lay the foundation for reserve growth to our vision of 3,000. PJ of 3P reserves by year end 2014.

The strategy that Blue Energy will employ to achieve this vision will be to utilise a low cost evaluation program in our high graded permits in combination with information from adjacent acreage to aggressively convert resources to reserves.

Consequently, we will continue to focus activity in ATP814P for reserve growth, but also look at increasing the resource base in the Galilee Basin and leverage competitor activity to de-risk the expenditure in the permit. The other area that is developing into a potentially significant play is the recognition and development of a shale gas play in the Maryborough Basin. The potential volumes resulting from exploration success in developing this play could be significant. We still await the regulator to award the Maryborough permits.

ATP814P

Monslatt Block

Since March 2010 when Blue Energy received an initial resource estimate from Netherland, Sewell and Associates (NSAI), the resource estimate has nearly doubled.

We have also recorded our maiden reserve booking through a data sharing agreement with NSAI and several other Coal Seam Gas Operators. The Sapphire Block in the western part of ATP814P is directly adjacent to the Moranbah Gas Project operated by


50
200
1500
500
2000
kPa
psi

Arrow Energy. NSAI has identified a modest 39PJ of 3P reserves associated with the Rangal and Fort Cooper Coal Measures in the south eastern part of the Block, in close proximity to Arrow Energy's pilot production wells in ATP1033P.

ATP814P Bowen Basin	3P Reserves Recoverable	3C Contingent Resource Recoverable
Sapphire Block	39PJ	284PJ
Monslatt Block		1,295PJ
Central Block		457PJ
Total ATP814P Resource Base	**39PJ**	**2,036PJ**

The initial activity by Blue Energy in the Monslatt Block identified a new resource area, and since that time the bulk of the activity has been directed to this eastern Block. To date, we have drilled 5 pilot wells in the Monslatt Block which has given good coverage across the Block and, with successful dewatering, will add significant reserves.

Additional Pilot wells were drilled in September this year to expand the resource base and provide more points from which to convert resources to reserves. The Monslatt 9 combination core production pilot well was drilled in the southern part of the Monslatt Block at a location designed to test the southern extent of the Moranbah Coal Measures. It will be put on production test in the coming weeks and commence the dewatering process.

The Sapphire 4 combination core production pilot well is being drilled in the southern part of the Sapphire Block as a follow up test of the reserves in the Rangal and Fort Cooper Coal Measures together with a test of the deeper potential of the Moranbah Coal Measure sequence.

The gas potential in Monslatt in carbonaceous shales was initially identified by NSAI and Blue Energy. The Monslatt 9 well is designed to further evaluate this play, which could be significant.

To date, the pilot production operations have provided confirmation that the central part of the Block (around the Monslatt 4 and 7 area) has high gas saturations in the P seam, however as with all new exploration areas, time is required to gain an understanding of the structural geometry and production characteristics of the coals, and for the development of appropriate completion and production methodologies. Gas production has commenced in Monslatt 7 and flow rates are expected to increase as dewatering continues.

ATP813P – DRILLING PROGRAM UNDERTAKEN

Following completion of the initial core well program in ATP813P, a dataset was sent to NSAI for assessment. As expected, NSAI identified considerable Contingent Resources together with a large Prospective Resource in parts of the permit. Further coring will be required to expand the resource base areas in between the existing wells and for the selection of an appropriate pilot production test well location.

Permit/Basin/Block	Contingent Resources Recoverable	Prospective Resource Recoverable
ATP813P – Galilee Basin	554PJ	1,143PJ
Total Resource Base	**554PJ**	**1,143PJ**

Given the location of the Galilee Basin and general lack of gas infrastructure, the establishment of reserves in the permit is likely to require both a significant resource base, together with an above average (current) gas price. Demonstration of sustained gas flow rates have not been achieved anywhere in the basin as yet, however, competitor activity is likely to deliver these results in the medium term.

MARYBOROUGH BASIN

The Maryborough Basin has been under-explored for hydrocarbons. Early efforts date back to 1953, but there has been only sporadic exploration since that time. Previous drilling targeted conventional gas resources, and was successful in identifying the presence of a hydrocarbon system, but at the time of drilling, the volumes discovered were deemed to be uneconomic.

Blue Energy is currently farming-in to ATP613P and two application areas, ATP674A and ATP733A, and is Operator of the permits. Following completion of the farm-in work program, Blue Energy will have a 75% working interest in the permits.

We have negotiated Native Title Agreements to facilitate award of the application areas in the Maryborough Basin and following grant of these areas, the Blue Energy Joint Venture will have a dominant position in the basin. The shale gas play in the Maryborough Basin is presently unquantified, with the recognition of a mature, organic-rich marine shale sequence that has given indications of gas content in early exploration wells.

The Maryborough Basin is strategically located for the potential supply of gas to both the South East Queensland domestic market and the developing export LNG market in Gladstone, which is approximately 150km to the north.

In summary, Blue Energy will continue to focus on ATP 814P, 813P and the Maryborough Basin area to deliver resource and reserve growth based on the potential of these areas, I am confident that Blue Energy will deliver on its vision to establish 3,000PJ of 3P Reserves in the year ending 2014.

John Phillips
Chief Executive Officer
and Managing Director

The forecast domestic gas price environment in Queensland has changed dramatically in the last 12 months

CAPITALISING ON THE CHANGING ENERGY ENVIRONMENT

BUSINESS STRATEGY

Blue Energy will continue to pursue value creation opportunities for shareholders through organic growth within its existing exploration assets, together with exploring opportunities to expand that asset base into higher margin markets.

The forecast domestic gas price environment in Queensland has changed dramatically in the last 12 months with 3 LNG export plants in Queensland achieving final investment decision. The announcement by Santos that it will be selling Cooper Basin gas to the Santos-led Gladstone LNG Joint Venture will very likely result in the re-pricing of domestic gas to around the LNG net back pricing, estimated at \$6 – 7/GJ. Whilst the short-term domestic gas price remains challenging with the ramp gas volumes for major LNG export plants in Queensland, the longer term now looks very promising.

The present coal seam gas environment, dominated by the large domestic and international gas and LNG producers, requires the small explorers to have an alternative commercialisation strategy, independent of the LNG export market. This is particularly relevant in the short-term as the supply of gas to the LNG export market by small producers may not be required for several years, as the much touted consolidation of some of the larger Gladstone LNG projects has not occurred given the high likelihood that there will now be four LNG projects in Gladstone. Given the current 2P reserve estimates, several of these LNG export projects may not have sufficient current reserves and will require additional gas reserves to satisfy their projects' gas requirements. As such, small explorers who are able to build meaningful reserves in strategically located acreage (in the next 1 – 3 years) will become attractive sources of gas/reserves for the larger LNG players.

Blue Energy cannot however rely on the larger LNG players, and has in place a strategy to mitigate this risk, which is fundamental to delivering the full value of Blue Energy's evolving gas resource. Accordingly, management is looking to develop creative markets for its resource where possible. Small-scale LNG projects for the transportation sector is one such potential market. In addition, Blue Energy is working with several players in the Moranbah / Nebo (ATP814P) region to explore options to satisfy the ever expanding energy requirements of the region.

MISSION

- **To build a 3P reserve base of 3,000 PJ's by year end 2014**
- **To develop a significant and diverse exploration portfolio**

COMMERCIALISATION STRATEGY

Blue Energy has maintained a large exploration acreage portfolio across a widespread area of Queensland. The acreage covers 4 separate sedimentary basins, each with different infrastructure capacity. Blue Energy holds all but one of these permits 100% and is operator across all permits.

Accordingly, the location of each of these assets presents its own specific commercialisation opportunities and challenges. The strategic alliances Blue Energy has with Stanwell, KOGAS and others are key to achieving commercial outcomes for each of the assets.

Blue Energy's domestic gas strategy is linked to the Gas Development Alliance Agreement with Stanwell Corporation in its southern permits. The Stanwell alliance provides the opportunity to utilise gas discovered from the southern permits (ATP's 854, 817 and 896P) in power generation opportunities in south east Queensland.

The prospectivity of these southern permits has the potential to provide gas in a suitable quantity for moderate generation projects.

The northern permits (ATP813 and 814P) are expected to deliver larger quantities of gas reserves that would potentially be more suited to the supply of export LNG projects in Gladstone as well as regional energy requirements. Success in these permits and Blue Energy's strategic alliance with Korean Gas Corporation (KOGAS) and others is fundamental to Blue Energy's ambition to supply gas to the export LNG industry. It was expected that export LNG gas supply contracts would offer better net back pricing to the gas producer than domestic gas contracts, however given the changes in the domestic gas pricing outlook during 2011, the supply of domestic gas in a region not directly connected to the south east Queensland gas market could deliver excellent gas prices.

In addition to these two commercialisation options, an emerging third option is that of small-scale domestic LNG production for the transport sector or remote power generation. This concept is one of diesel substitution, and hence could provide an attractive margin in those cases where on road or mine haulage fleets can be converted from diesel to gas engines, or where current remote diesel-fired power generation is marginally economic due to high diesel costs. The potential for a price on carbon dioxide emissions will only strengthen the viability and focus of projects that substitute high cost, high emission fuels with lower cost, lower emission gas.

PARTNERSHIPS

The development and maintenance of strong and enduring partnerships is key to successful value creation, and Blue Energy will continue to strengthen existing partnerships and develop new relationships that advance the respective parties.

Blue Energy is committed to undertaking its work within the communities where it operates in a constructive, consultative, fair, safe and sensitive manner, and to bring tangible benefits directly to each community.

Blue Energy will also ensure its activities are conducted in a culturally sensitive manner and will engage with traditional owners to ensure cultural heritage values are upheld.

The partnership with KOGAS is important to Blue Energy and it will be further developed and strengthened to ensure that all shareholders benefit from KOGAS' financial strength and position in the global LNG industry.

The farm-in option held by KOGAS of ATP813P and ATP814P was extended during the year to further this partnership.

The Gas Development Alliance Agreement between Blue Energy and Stanwell Corporation was amended during 2011. This agreement is important to Blue Energy as it provides an avenue to commercialise domestic gas through the stability of a government-owned corporation. This strategic partnership will be strengthened and improved to take advantage of the increasing requirement, as carbon dioxide becomes priced by coal-fired generators who may then access gas as an alternative lower emission fuel source.

One of the greatest challenges in the rapidly expanding CSG industry is the changing regulatory environment. As communities become engaged with the industry and government responds, Blue Energy will continue to engage with all levels of Government and Community to ensure a proactive and constructive environment is maintained to facilitate improvement in the legislative framework governing the energy industry in Queensland.

BLUE ENERGY IS COMMITTED TO UNDERTAKING ITS WORK WITHIN THE COMMUNITIES WHERE IT OPERATES IN A CONSTRUCTIVE, CONSULTATIVE, FAIR, SAFE AND SENSITIVE MANNER, AND TO BRING TANGIBLE BENEFITS DIRECTLY TO EACH COMMUNITY

In recent years and throughout 2011, the community has shown extensive interest in energy issues, including debate on global energy needs and the role of energy projects in Australian regional communities

COMMUNITY ENVIRONMENT OUR PEOPLE

COMMUNITY

The energy sector is vital to our everyday lives and Blue Energy understands and supports community interest and involvement in issues relating to this sector.

In recent years and throughout 2011, the community has shown extensive interest in energy issues, including debate on global energy needs and the role of energy projects in Australian regional communities.

Blue Energy has tenements spread across Queensland. Our operations over this broad area mean that we interact and engage with stakeholders in many towns and communities.

Groups such as landholders, business owners, service providers, traditional owners, community groups and organisations are all affected in some way by the work we do.

Our 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.

OUR INDUSTRY

During 2011, issues relating to Australia's energy industry, including the coal seam gas sector, have been extensively debated. As in any debate, different points of view have been put forward, along with a great deal of information.

This is an essential process. However, unfortunately, it is also a process that can become confusing for participants who are trying to assess what can at times resemble conflicting information.

Our industry is contributing useful, fact-based discussion on these important issues.

OUR SOCIAL LICENSE TO OPERATE

As a company, we have worked hard to earn our social license to operate. As a result, we have achieved extensive community and stakeholder support for, and approval of, our exploration operations.

We know this is an ongoing process and we are dedicated to ensuring we maintain our social license to operate.

PROUD OF OUR RECORD

Blue Energy is proud of our record for fairly and effectively managing stakeholder consultations, negotiations and managing 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.

OUR ROLE

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

In addition to this, we view our role as working with stakeholders in areas such as planning work programs with consideration for landowner businesses and reaching compensation agreements.

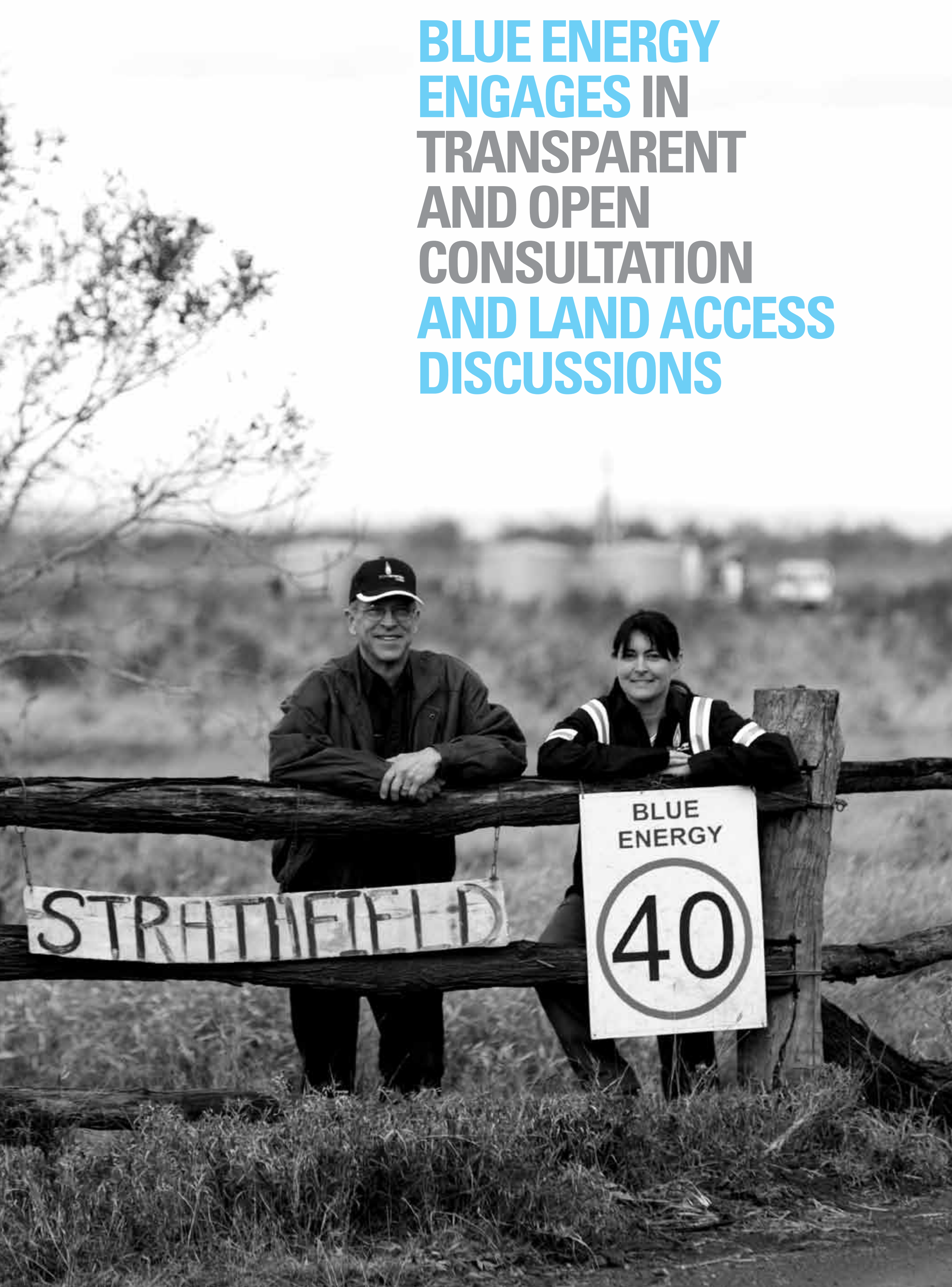
PHASES OF A PETROLEUM OPPORTUNITY

With all the excitement of major LNG export projects in Queensland, and the associated media coverage, it is important to understand the processes that have developed in the petroleum industry. Finding and developing a petroleum opportunity (this includes conventional reservoirs and unconventional reservoirs such as CSG) is complex, but the evolution process has the same basic principles for all in the industry. Blue Energy describes this evolution in the following five phases, each of which has clear boundaries. Each phase needs to be successfully completed before progressing to the next and some phases may need to be repeated before progress can be made.

Phase 1 is early exploration for the discovery of commercially significant volumes of petroleum. This entails a limited amount of seismic data acquisition, exploration wells, and other possible surveys. Many of Blue Energy's tenements are in this phase.

Phase 2 is for the appraisal and definition of discovered volumes of petroleum. The focus of this phase is demonstrating that the discovered petroleum can be produced at sustained and commercially viable rates. This phase normally consists of more detailed seismic data acquisition, other possible surveys, some additional exploration/appraisal wells, and a pilot testing program for the exploration/appraisal wells. For CSG opportunities, pilot testing may be as long as several years in order to demonstrate commercially viable rates. In ATP814P East Block (Monslatt), Blue Energy is in this phase.

BLUE ENERGY ENGAGES IN TRANSPARENT AND OPEN CONSULTATION AND LAND ACCESS DISCUSSIONS



Phase 3 is planning for development and long-term production operations. This phase includes engineering design, environmental impact assessments, community consultation and planning, applying for production licences, as well as other planning issues. This phase ends with a project approval to proceed. While Blue Energy has not entered this phase on any of our tenements, we have completed advanced planning so we can enter and perform this phase smoothly and efficiently.

Phase 4 is development of the opportunity. Several of the large LNG proponents have received all approvals, and they are now performing this very heavy development workload. This phase ends with project start-up and handover to ongoing operations.

Phase 5 is normal production operations over the life of the petroleum field. It ends once the petroleum resource is depleted, and then all facilities, wells and sites are fully and appropriately decommissioned, rehabilitated and returned their pre-existing land use.

WORKING WITH STAKEHOLDERS DURING PHASE 1 AND PHASE 2 EXPLORATION AND APPRAISAL

Blue Energy engages in transparent and open community consultation and land access discussions. These are the steps we take:

Step 1: Initially, Blue Energy is an applicant for petroleum exploration licences (a competitive bidding process). To move forward to a final Government grant of petroleum exploration rights, Government must first prepare and issue environmental conditions. In some cases, native title agreements must also be obtained.

Step 2: Once Government grant is received, Blue Energy conducts in-house evaluation of the subsurface geology and its potential so we can frame an exploration work program to obtain better understanding and definition. Early exploration programs can consist of seismic data acquisition and a very limited number of exploration wells. Seismic acquisition is very low impact, and commonly occurs before drilling a well, but not always. Sometimes well locations are selected on data that is already available.

Step 3: Concurrently with Step 2, Blue Energy starts community consultations well in advance of any onsite activities. We inform the community about the processes, the real science, the benefits, the actual risks, and how we mitigate those risks. In general, most issues can be summarised into:

- No negative impact to homes and residences
- No long-term negative impact to agricultural land
- Protection of aquifers and environmentally sensitive areas
- Respect for and fair compensation to landowners.

Step 4: Once Blue Energy has possible locations for seismic or drilling, we start working with landowners at those locations. We access properties only with landowner agreement and negotiate land-access payments and a win-win approach including flexibility in our locations as much as possible. Our compensation package is structured to address the issues of:

- Rental of the impacted land to offset loss of income.
- Activity payment to account for interference to lifestyle and other impacts to the landowner's business
- Landowner management time to compensate for the time spent working with us to develop a workable access agreement
- Fair reimbursement for an external legal review and advice.

Step 5: Blue Energy conducts the drilling and/or seismic activities as per the negotiated landholder access agreements and in accordance with Petroleum and Gas Act regulation and strict adherence to safety and environmental principals. Depending on the results of a work program, we may repeat the process, beginning with Step 2.

COMMUNITY SUPPORT

Blue Energy is dedicated to bringing opportunities for economic growth to local communities.

We also assist with support for local organisations and events.

Our recent community sponsorships include:

- Landsborough Flock Ewe Show Society
- Aramac Rodeo
- Aramac Quick Shear
- Aramac School Camp
- Nebo SES
- Nebo Bushman's Carnival Campdraft
- Hervey Bay/Maryborough Hospital

NEBO SES CASE STUDY

COMMUNITY SUPPORT

Local emergency services groups play a vital role in keeping our communities safe and helping those in life-threatening situations.

Through our involvement in the local community, Blue Energy was aware of the important work of the Nebo State Emergency Service (SES). We asked how we could help and found the group needed a light tower to help with night rescue work. Blue Energy provided the funds for the tower which is now in use in the Nebo area. Nebo SES Controller Alex McPhee said: "The light tower has become an important part of our road crash rescue operations, our work at other emergency sites and our training programs. All the emergency services crews are benefiting from this easily erected and bright light tower and it is definitely benefiting our work at emergency scenes. I would like to thank everyone at Blue Energy for all your help in getting this light tower for us."

LOCAL EMERGENCY SERVICES GROUPS PLAY A VITAL ROLE IN KEEPING OUR COMMUNITIES SAFE AND HELPING THOSE IN LIFE-THREATENING SITUATIONS

ABOUT COAL SEAM GAS

What is Coal Seam Gas? CSG is natural gas; its petroleum makeup is about 95-99% pure methane which was formed millions of years ago as part of the burial of peat and the formation of coal. The gas is attached to the coal by the pressure of its burial and the hydrostatic head in its current state. It has been traditionally extracted from coal seams during mining operations where it is potentially explosive. Now CSG is a valuable energy source.

Why is it called unconventional gas? The word "unconventional" refers to the reservoir rock that contains the petroleum gas, not the petroleum source itself. For CSG, the reservoir rock is coal.

CSG extraction is not gas mining. This term is sometimes used but is not considered to have any real meaning as the gas is not mined but drilled and produced from CSG wells, just like wells drilled to conventional reservoirs. The "coal" in CSG is not mined but remains in place after CSG extraction.

What is LNG? LNG is an abreveation for Liquefied Natural Gas. It is simply natural gas that is cooled to -162° and in doing so, shrinks 600 times from that of a vapour to a liquid.

The main reason to liquify gas is to allow for easy transportation over large distances.

PRODUCTION METHODS

What is fraccing? It is a process of opening existing fractures and creating new ones in underground coal seams to increase the flow and recovery of gas from a well. It is also known as fracture stimulation, hydraulic fracturing, or hydrofraccing.

What are the frac fluids? The majority of frac fluids are a base fluid such as water or nitrogen and propping materials such as sand or ceramic beads. Other chemicals, which are fully Government registered and approved, are used in very low volumes. These chemicals allow the frac fluid to have special characteristics such as gelling properties, neutrality with underground rock, prevention of bacteria growth, and others. All these chemicals are safe when used as directed and are used in very low concentrations.

How is it done? Fraccing takes place hundreds of metres below ground within the coal seam. Each job is specifically designed to only impact on the target coal seam; aquifers are intentionally avoided. If a frac job begins to divert from its design, real time data during a job allows the plan to be modified or stopped.

Is fraccing safe? Fraccing has been ongoing for some 60 years with an excellent safety and environmental record. Fraccing is designed to avoid aquifers, as we aim to protect the aquifers that we depend on for water supplies. As a cost effective industry, we avoid unnecessary water production as this only increases costs. Fraccing only impacts on the coal seam itself, and it generally occurs deep underground and away from most of the commonly used acquifiers. As a result, the risk of groundwater contamination is minimal.

USE OF CHEMICALS

What are BTEX chemicals? Benzene, toluene, ethylbenzene, and xylene are commonly known as BTEX. In pure form or high concentrations, all of these chemicals are hazardous; Benzene has the highest profile. All of these chemicals exist in everyday life in low and safe concentrations. They are part of petroleum products. They also are naturally occurring chemicals already in many coal seams, and possibly other ground waters. The most common sources of exposure to BTEX chemicals are from breathing contaminated air, particularly in areas of heavy motor vehicle traffic and petrol stations, and through cigarette smoke.

Were BTEX chemicals used in CSG fraccing in Queensland? In pure form or high concentrations, BTEX chemicals have **not** been used in CSG fraccing in Queensland. Some early frac fluids by various operators may have contained minor traces of BTEX, but even these frac fluids met USA drinking water standards. In 2010, the Industry further lowered the traces of BTEX in frac fluids to meet the Queensland Government's 2011 ban on BTEX which is now based on the more stringent Australian drinking water standards.

USES AND REGULATION OF CSG

How is CSG used for power? 15% (ABARE 2011) of Queensland's electricity supply is generated from CSG. As CSG is simply natural gas from an unconventional reservoir, it can be mixed with natural gas from conventional reservoirs and CSG from different fields. As a gas, it is piped directly to users. It can be used to fuel gas turbines for mine sites or for urban electricity generation; and it can direct fire furnaces. As a fuel substitute for petrol or diesel, CSG can also be converted to LNG, for ease of storage and transport, and to Compressed Natural Gas (CNG).

How is Blue Energy Limited regulated? In Queensland, the first petroleum regulations began in 1923. In 2004, the Petroleum and Gas Act underwent a major regulatory update. Each year since then, more regulations have been added and continue to be added. At present, the current number of regulations and conditions are estimated to total around 2,500. Environmental regulations are in addition to this. For Blue Energy's exploration tenements, our Level 2 Environmental Authorities have more than 100 conditions to which our activities must adhere.

Is the CSG industry regulated in Australia? In addition to the regulations described above, the Queensland CSG industry is subject to the most rigorous environmental approval and monitoring processes in the State's history. Potential LNG projects have to comply with around 1,200 State Government environmental approval conditions per project. Those projects which have so far received Australian Government approval have to comply with a further 300 federal environmental conditions.

CSG AND WATER

How is CSG water managed? The water extracted during CSG production must be handled in an environmentally sound manner. The quality of the water can vary from drinkable to saline, depending on several factors. The Queensland Government has stated that reinjection and substitution is the preferred water management strategy. Beneficial use is the next available option. Evaporation ponds and water course disposal are no longer options for development.

Why does the water have to be extracted? The gas is held in place in the coal by pressure of the water. As water is produced, the pressure lowers and the gas becomes free and can be brought to the surface. The amount of CSG water produced will vary from area to area. For example, Blue Energy's CSG wells in the Bowen basin, target "dryer" coals which are estimated to produce only 10% of the water compared to a Surat basin CSG well.

What about protection of aquifers? CSG does not come from the prolific aquifer sands, such as those key aquifers of the Great Artesian Basin. CSG reservoirs are limited in connectivity and have very low water recharge rates, if any. Otherwise, only water would be produced and no gas. A report from Geoscience Australia to the Australian Government recommends a precautionary approach but concludes the risk of impact to the clean aquifers of the Great Artesian Basin is minimal.

MORE INFORMATION

Where can I get more information? Industry groups and the Queensland Government are publishing 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 Queensland Government website www.lng.industry.qld.gov.au or the Australian Petroleum Production and Exploration Association (APPEA) at www.appea.com.au.

Sources: Queensland Resources Council, Minerals and Energy Education; Queensland Government, Tomorrow's Queensland; APPEA, CSG Facts.

// OUR DIRECTORS

PETER COCKCROFT

BA (Geology & Geophysics), FRGS (Life), FAARM, Cert Bus Admin (EBS), GAICD

...

Chairman

Appointed 21 August 2008

Peter brings to Blue Energy extensive international gas industry experience having trained as a Geologist. He has held management and executive positions in many countries with companies such as Shell, BHP, Premier Oil and others. Peter has also worked with the national oil companies of Indonesia and South Korea and as a special adviser to the Prime Minister of Timor-Leste. Peter has recently been advising the Indonesian authorities on the formation of a coal seam gas fiscal regime.

Peter is internationally recognised as a Distinguished Lecturer on Risk for the Society of Petroleum Engineers, Life Member of SPE, Life Member of South East Asian Petroleum Exploration Society, Graduate of AICD Mastery program, Certified Petroleum Geologist, and a member of the Institute of Directors in UK. He has previously held board positions in Australia, Indonesia, India, Kuwait and USA. Peter has authored in excess of thirty papers in the energy sector.

HEUNG-BOG LEE

BEng, MA

...

Non-Executive Director

Appointed 1 October 2009

Heung-Bog is the Nominee of 8.7% Shareholder, Korea Gas Corporation (KOGAS), which is the largest LNG importer in the world. He has over 20 years' experience in LNG projects including E&P Projects in Australia, South Asia and Middle East Countries. He is currently Director of KOGAS Australia Pty Ltd and KGLNG Pty Ltd at Brisbane. He has a Bachelor of Engineering in Mechanical Engineering from Seoul National University of Science & Technology(SNUT) and a Master in Energy and Mineral Resources from the University of Texas in Austin.

PAUL MASSAROTTO

PhD, B Eng (Chem), MAICD, BSAM, SPE

...

Non-Executive Director

Appointed 13 February 2009

Dr Massarotto holds a PhD in Chemical Engineering from the University of Queensland where he is a Principal Research Fellow developing and leading research programs to maximise CBM production and reserves. Paul has acted as an expert witness and consultant to the CSG industry and has published over 50 papers. His broad 40+ year experience covers senior technical, drilling and operational management in the international oil & gas and infrastructure industries, including M&A. He is a graduate of the Wharton School of Finance and is a member of the Risk and Audit Committee.

GARRY BUTTON

BComm, FCPA, FFTP, MAICD

...

Non-Executive Director

Appointed 26 February 2009

Retired 30 June 2011

Garry is the nominee of substantial shareholder Stanwell Corporation Limited where he is Chief Financial Officer responsible for the strategic direction and operational performance of Stanwell's finance, business improvement, financial risk management and procurement functions. Garry has 30 years' experience including several senior financial and corporate roles within Queensland Rail, Fairfax and Unilever Australia. He is a Fellow of both CPA Australia and The Finance and Treasury Association (where he is also a past national President and NSW Chapter Chairman) and a Member of the Australian Institute of Company Directors. Garry is Chairman of the Risk and Audit Committee.

// OUR EXECUTIVES

JOHN PHILLIPS
BSc (Hons), GAICD

...
CEO/Managing Director
Appointed 1 May 2009

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 26 years in the oil and gas industry has involved conventional O&G and CSG experience, in a variety of petroleum basins both domestically and internationally.

He 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, where his role included taking a lead in initial studies for the SUN LNG Project with Sojitz Corp and the Reserves Certification process and FEED study for CSG developments.

STUART OWEN
BBus, CPA, GAICD

...
CFO/Company Secretary
Appointed 1 July 2008

Stuart was appointed Company Secretary on 13 July 2010 in addition to his role as CFO. He 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 Commercial Manager for Energy Developments Limited. Previous to this role Stuart was commercial manager on the delivery of a multi site gas fired power generation project. Stuart also has experience in project financing, mergers and acquisitions and project development.

CLIFTON HEFNER
BS (Petroleum Engineering), GAICD

...
Exploration & Production Manager
Appointed 10 May 2010

Clif has experience as an Engineer, Manager and Consultant in the oil, gas and CSG industry, an Adjunct Professor with Queensland University of Technology (QUT) in their Project Management Academy, and a Director of Stanwell Corporation Limited. In the oil, gas and CSG industry, he has 32 years of broad engineering, economic, project, operations and management experience.

Clif graduated from the University of Texas, Austin with BS in Petroleum Engineering with Highest Honours. The first 24 years of his working career were with Chevron Corporation in nine countries. Following his move to Australia and prior to joining Blue Energy, Clif has worked for El Paso Production Company, Sunshine Gas Limited, QUT, Stanwell, and others as a consultant.

Blue Energy's exploration acreage is well situated to capitalise on the growing demand of both the domestic and export markets

ASSET OVERVIEW

ATP814P

AREA: 2,195km^2
HOLDING: 100%
COAL SEAMS: Rangal Coal Measures, Fort Cooper Coal Measures and Moranbah Coal Measures
WORK COMPLETED: 2 Stratigraphic wells, 6 core wells, 5 Production wells, 101km Seismic
INFRASTRUCTURE: Transport to Townsville and Gladstone via gas pipeline within 20kms, significant held resources
OPERATOR: Blue Energy Limited

ATP814P comprises 7 discrete and disconnected blocks in the Moranbah area of the Bowen Basin.

The Moranbah area is the centre of CSG production in the Bowen Basin as well as being a significant export coal mining precinct. Arrow Energy (a joint Venture between Shell and Petrochina) operates the Moranbah Gas Project which supplies gas to Townsville for power generation and industrial users. In addition Arrow is anticipated to utilise its acreage around Moranbah to supply feed gas for its proposed LNG project in Gladstone, and as such is expected to install significant gas export infrastructure in the Moranbah area over coming years.

The main CSG targets in ATP814P are late Permian aged coal sequences (the Rangal, Fort Cooper and Moranbah Coal Measures), which have proven to be gas producting through Arrow Energy's Moranbah activities. ATP814P has been the main focus of Blue Energy's exploration effort over the last 12 to 24 month period. This effort has identified a significant gas resource within three of the seven blocks. These three blocks have independently assessed Contingent Resources (2C and 3C), Possible Reserves (3P) and Prospective Resources as identified by Netherland, Sewell and Associates, as outlined in the table below.

Block	Reserves	Contingent Resources		Gas in Place	Prospective Resources Recoverable
	3P	2C	3C		High Estimate
Sapphire	39PJ	51PJ	284PJ		
Monslatt		454PJ	1,295PJ	3,630PJ	908PJ
Central			457PJ	1,922PJ	192PJ
Total	**39PJ**	**505PJ**	**2,036PJ**	**5,552PJ**	**1,100PJ**

The initial drilling in the Permit was directed at the Monslatt Block in the eastern part of the area (see Figure below). Following the drilling of several pilot production test wells, pilot production was commenced in earnest in the first quarter in calendar 2011, as a result of extensive delays caused by widespread regional flooding. Monslatt 8 was drilled in late 2010 as a lateral inseam well to intersect the Monslatt 7 vertical pilot well. Monslatt 7 was completed as a pilot production well and along with Monslatt 5 has been on production test since first quarter 2011. Monslatt 9 pilot production well was drilled in the southern part of the Monslatt Block in September, 2011 and along with the Monslatt 6 and 4 wells will be on production test by year end. The five pilot test wells are designed to establish a commercial gas flow rate from the P seam and build a reserve base over the full extent of the Monslatt Block. Testing operations and dewatering of these wells is ongoing.

Monslatt 9 was also drilled to evaluate the potential shale gas resource of the Block which is currently assessed as a prospective resource for the Monslatt Block. Data is now being interpreted to establish the significance of this resource.

Whilst most of the attention has been directed at Monslatt, the Sapphire Block has been the area where Blue Energy has achieved its maiden reserves. As a result of a data sharing agreement between NSAI, Blue Energy and several other CSG companies, NSAI has identified 39PJ of 3P reserves in the southern portion of the Sapphire Block, within the Fort Cooper and Rangal Coal Measures. The Sapphire 4 pilot production test well has been designed to assess this reserve and also evaluate the deeper Moranbah CM in the eastern part of the block.

The Central Block, where the Kerlong 1 CSG corehole was drilled in 2010, contains both Contingent Resources and Prospective Resources in the Rangal and Fort Cooper Coal Measures, whilst the deeper Moranbah seams are yet to be evaluated. These resources may be addressed with new program in the next 12 months.

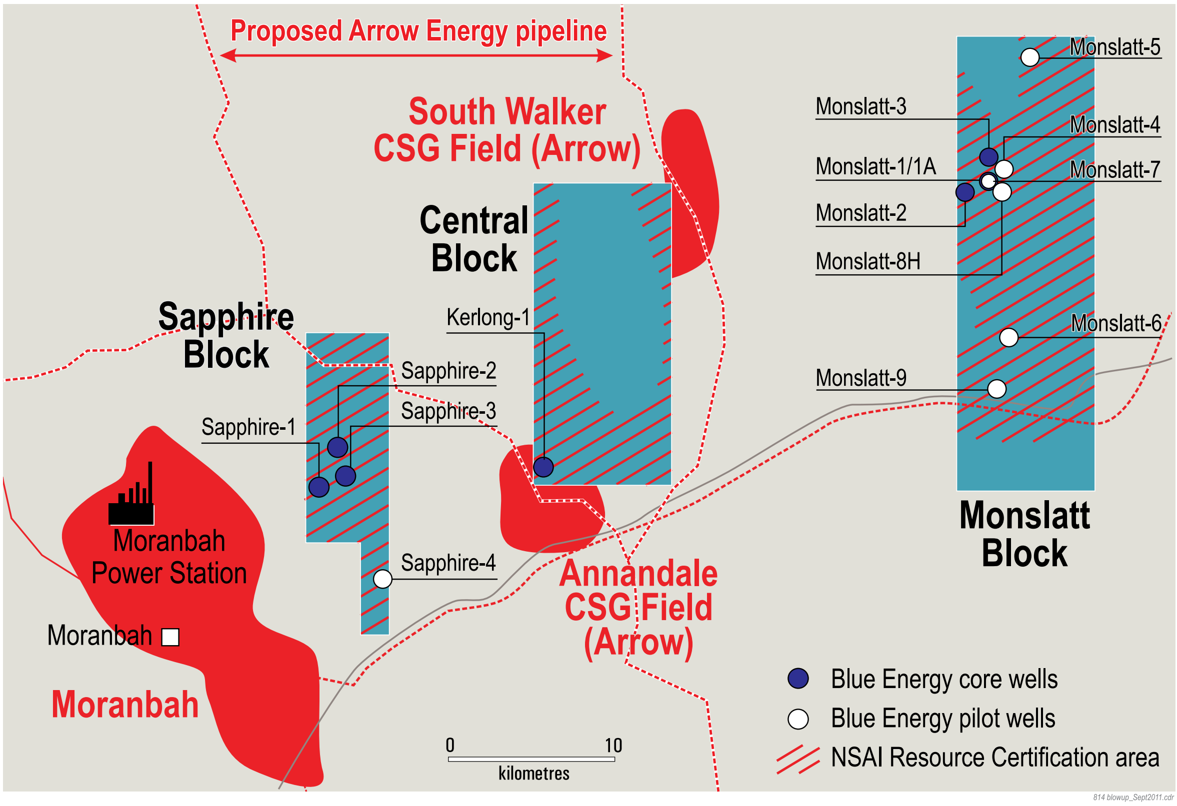


Figure 1. ATP814P Location and completion activity.

ATP613P, ATP674A AND ATP733A

AREA: 2,940km^2
HOLDING: 75% interest (post farm-in), 12 years
COAL SEAMS: Burrum Coal Measures, Shale Gas, Gregory Sandstone Conventional Play
WORK COMPLETED: 2 core wells, 27km Seismic
INFRASTRUCTURE: Gas pipeline travels through the block
OPERATOR: Blue Energy Limited

As Operator of the Permit, Blue Energy has taken the lead role in negotiations with two Native Title Claimant Groups to secure Native Title Agreements which will facilitate award of excluded lands from ATP613P, plus facilitate award of two applications (ATP674A and 733A). The Agreement reached with both the Port Curtis Coral Coast People and the Butchulla Groups and will allow award by the State Government of these permits. Once awarded, Blue Energy will continue the exploration work program required under its farm-in agreement with Adelaide Energy. On completion of the work program, Blue Energy will have earned a 75% interest in all the Maryborough Basin acreage.

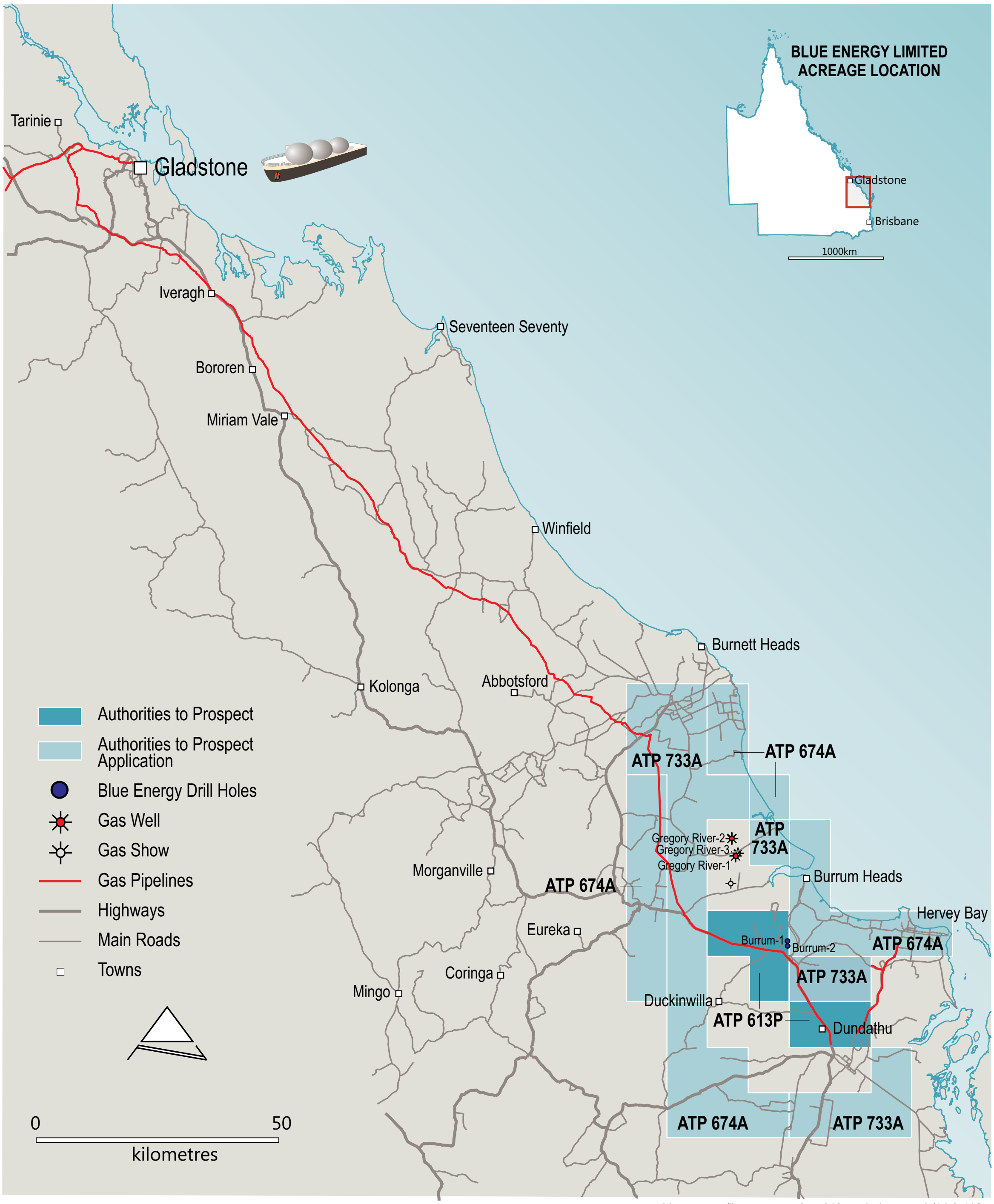
These permit and application areas lie within the Maryborough Basin which is located in the Maryborough – Bundaberg region of Queensland. The basin is approximately 150km south of the developing Gladstone export LNG hub. It is relatively un-explored with respect to hydrocarbons. However, there has been petroleum drilling in the Maryborough Basin dating back to approximately 1953 when conventional gas exploration wells were drilled on several large structural features, identified by field mapping. In addition, there is a long coal mining history in the basin, with coal mines at Howard and Torbanlea being worked from early last century through to the 1970's. These mines were principally targeting the Burrum Coal Measures in the Burrum Syncline.

The prospectivity of the Maryborough Basin has traditionally been restricted to conventional tight gas and more recently coal seam gas within the Burrum Syncline. However recent recognition of a shale gas play in the basin by the US Energy Information Agency (EAI) has further enhanced the prospectivity of this acreage. The EIA conducted a worldwide study of 42 sedimentary basins in 38 individual countries outside the United States and found that the Maryborough Basin contained the necessary components to host a valid shale gas source. In assessing the play further, Blue Energy discovered that at least one of the conventional exploration wells drilled has indeed identified gas bearing shale in the basal Maryborough Formation.

Blue Energy will have access to (upon grant of the application areas) approximately 2,940km^2 of area within the Maryborough Basin, and to date, along with its Joint Venture partner Adelaide Energy holds a dominant basin position.

Exploration activities in pursuit of the shale gas potential may involve "proof of concept activities" including the drilling of a vertical well (or wells) to obtain basic core data from the target shale. This will allow determination of shale thickness, organic content, mineralogy, gas content and permeability of the section of interest.

Prior to any drilling being undertaken, Blue Energy will conduct a baseline water survey in the region to establish the distribution and status of aquifers in the region. In addition, several other surveys will be undertaken as part of the conditions of permits granted by the State Government to explore for petroleum.



blue energy/licence maps/atp 613 to gladstone.cdr/14-9-11/lp

ATP813P

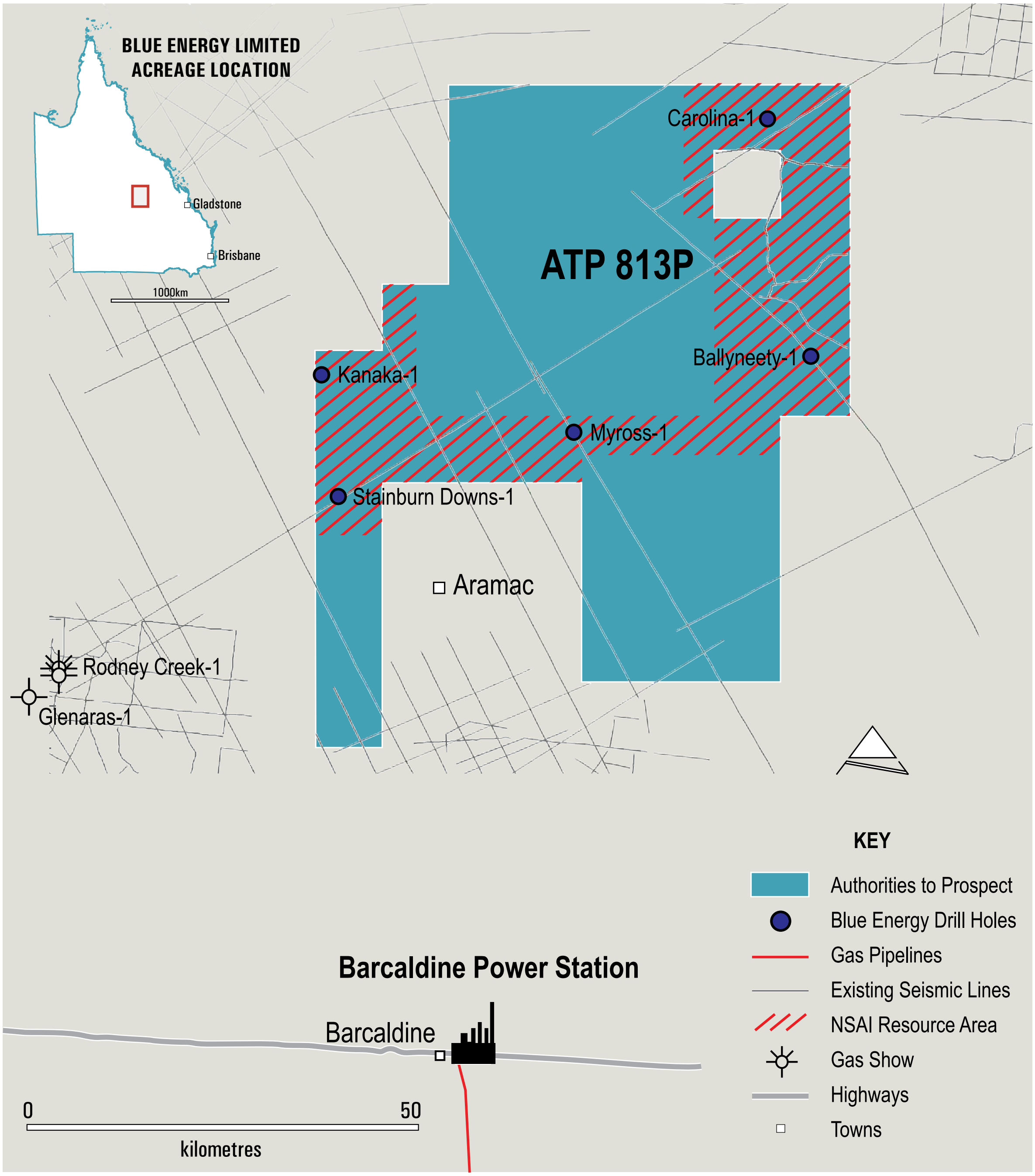
AREA: 4,082km^2
HOLDING: 100%, 12 years
COAL SEAMS: Aramac Coal Measures, Betts Creek
WORK COMPLETED: 5 core wells, 64km Seismic
INFRASTRUCTURE: 70km from the Barcaldine power station
OPERATOR: Blue Energy Limited

ATP813P is located in the central Galilee Basin in central west Queensland. The permit covers a large area and to date Blue Energy has drilled 5 CSG coreholes to assess the potential of the Late Permian coal sequences that are known to be present in the basin.

The data set acquired from the core holes drilled by Blue was sent to NSAI who have independently assessed the areas around the wells to contain 554 PJ of Contingent Resource (recoverable) and a further 1,143PJ of Prospective Resource (recoverable). The delineation of the gas resource by NSAI pertains to only 25% of the permit area. Plans for additional drilling are being formulated to address the remaining 75% of the permit area. Operators of adjacent permits have also recently released gas resource numbers for their permits and there is now a growing gas resource base emerging in the central part of the Galilee Basin.

There is currently no CSG production from the basin (compared to the Surat and Bowen Basins). As a result, this gives operating companies the opportunity to develop robust baseline aquifer conditions to establish the state of the aquifers in the broader Galilee Basin. The geology of the Galilee Basin is different to that of the Surat Basin, and the target Coal Seams in the Galilee Basin are of Permian age, compared to the coal seams in the Surat which are Jurassic. Accordingly, the issues currently debated in the Surat Basin regarding aquifer interaction are not directly transferable to the Galilee Basin. However, it is clear that this issue requires a proactive approach, and given the lack of CSG production in the Galilee thus far, it offered an ideal opportunity to acquire data to determine the state of the aquifers across the basin. Once completed, this study, conducted by an independent specialist and funded by a consortium of operators in the Galilee Basin, will be provided to the Queensland Water Commission for scrutiny and use in their modelling of the Great Artesian Basin aquifer.

Permit/Basin	Gas in Place	3C Contingent Resource	Prospective Resource
		Recoverable	Recoverable
ATP813P – Galilee Basin	3,407PJ	554PJ	1,142PJ



June_2011_atp_813 proposed wells_seismic

ATP818P

AREA: 1,570km^2
HOLDING: 100%, 12 years
COAL SEAMS: Walloon Coal Measures
WORK COMPLETED: Geological & Geophysical evaluation, 107km Seismic and 1 well
INFRASTRUCTURE: Gas pipeline within 10kms. Electricity production to the west.
OPERATOR: Blue Energy Limited

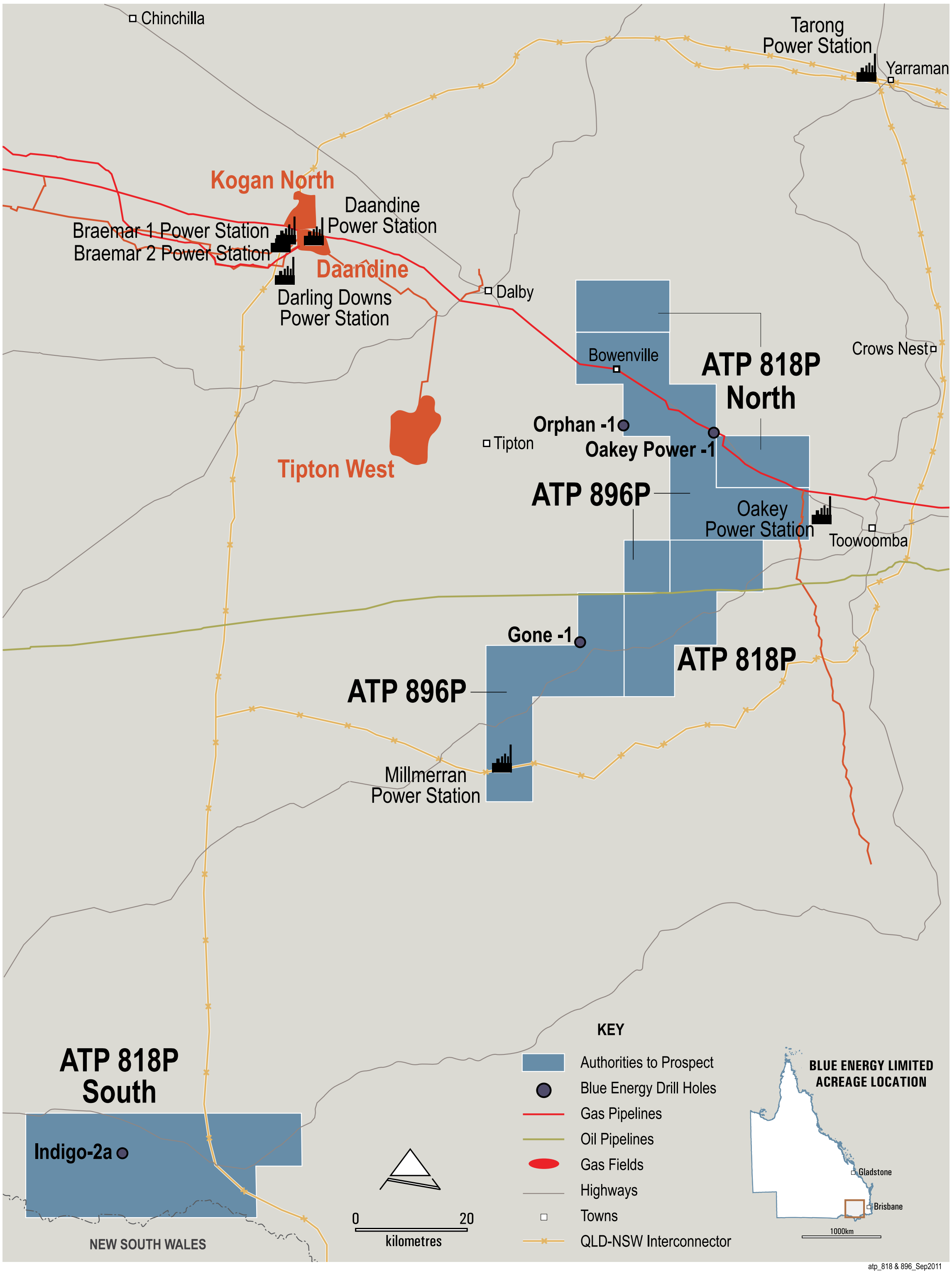
This permit is located in the south-eastern Surat Basin, bordering the western edge of the Clarence-Moreton Basin. It is located in close proximity to Arrow Energy's Tipton CSG project. Together with the adjacent ATP896P held by Blue Energy, it provides a good address for potential CSG resources.

The principle play in the permit is the Walloon Coal Measure CSG play and to date, activity in the area by Blue Energy has targeted the adjoining ATP896P permit where 3 exploration core holes have been drilled. These wells have been drilled in the areas in closest proximity to the Tipton CSG project, however the southern part of ATP 818P does warrant further standalone exploration.

ATP896P

AREA: 1,178km^2
HOLDING: 100%, 12 years
COAL SEAMS: Walloon Coal Measures
WORK COMPLETED: 3 core wells
INFRASTRUCTURE: Close to Roma to Brisbane pipeline
OPERATOR: Blue Energy Limited

In conjunction with ATP818P, this permit occupies an attractive location in the eastern Surat Basin in close proximity to the Tipton CSG field operated by Arrow Energy. Blue Energy's initial exploration program in the permit focussed on the Jurassic Walloon Coal Measures and drilled three wells in the western portion of the permit. The results were disappointing with low net coal and low gas contents recorded from all three wells. As a consequence of these well results, Blue Energy is in the process of reassessing the potential of these eastern permits.


Chinchilla
Tarong
Power Station
Yarraman
Kogan North
Daandine
Power Station
Braemar 1 Power Station
Braemar 2 Power Station
Daandine
Darling Downs
Power Station
Dalby
Bowenville
ATP 818P
North
Crows Nest
Orphan -1
Oakey Power -1
Tipton
Tipton West
ATP 896P
Oakey
Power Station
Toowoomba
Gone -1
ATP 818P
ATP 896P
Millmerran
Power Station
ATP 818P
South
Indigo-2a
NEW SOUTH WALES
0
20
kilometres
KEY
Authorities to Prospect
Blue Energy Drill Holes
Gas Pipelines
Oil Pipelines
Gas Fields
Highways
Towns
QLD-NSW Interconnector
BLUE ENERGY LIMITED
ACREAGE LOCATION
Gladstone
Brisbane
1000km
atp_818 & 896_Sep2011

ATP854P

AREA: 813km^2
HOLDING: 100%, 12 years
COAL SEAMS: Permian Bandanna Coal Measures, Jurassic Walloon Coal Measures
WORK COMPLETED: 4 core wells, 1 production pilot well, 114km Seismic
INFRASTRUCTURE: Close to main gas pipeline
OPERATOR: Blue Energy Limited

This permit is located near the township of Injune in Central Queensland and is in close proximity to the Fairview and Spring Gully CSG Fields operated by Santos Ltd and Origin Energy Ltd respectively. The Wallumbilla to Gladstone gas pipeline is in the north of this permit.

The CSG plays present in this permit include both the Walloon Coal Measures together with the Late Permian CSG play which is productive at Spring Gully and Fairview.

To date Blue Energy has tested both plays by drilling core holes at Itude (Walloon target) and Cerulean (Permian target). The Walloon play in this permit is located towards the depositional edge of the Surat Basin for the Walloon Coal Measures and as such there was risk in intersecting sufficient net coal with reasonable gas content given the shallow intersection of the coals. Indeed, the Walloon Coals that were intersected by the Itude wells exhibited low gas content and low net coal intersection. The Permian play was tested by the Cerulean wells in early drilling (two coreholes plus a single well pilot production test well). This drilling established the presence of coal with good gas content. The Pilot production well however was not successful as sustained gas flow rates were not achieved. Consequently, additional program is planned to utilise a lateral well drilled to intersect the existing pilot production well at Cerulean 2. This will expose significantly more coal thickness than existed in the original vertical well and therefore give the best chance for this play to demonstrate economic flow rates. Timing of this new program is dependent on funding.

ATP817P

AREA: 4,368km^2
HOLDING: 100%, 12 years
COAL SEAMS: Permian Bandanna Coal Measures, Jurassic Walloon Coal Measures
WORK COMPLETED: 3 core wells
INFRASTRUCTURE: Close to main gas pipeline
OPERATOR: Blue Energy Limited

ATP817P is composed of 3 separate and non-contiguous blocks in the western Surat Basin and Denison Trough area. The closest townships to these blocks are Mitchell, Injune and Emerald in Queensland. ATP817P Central has been the focus of early CSG exploration by Blue Energy, however with little success. Coals that were intersected by the Azure wells displayed very low gas content for a Permian coal sequence. As a result further drilling in the Central Block has not yet been undertaken. A better understanding of the mechanism creating this low gas content is required before additional drilling is undertaken.

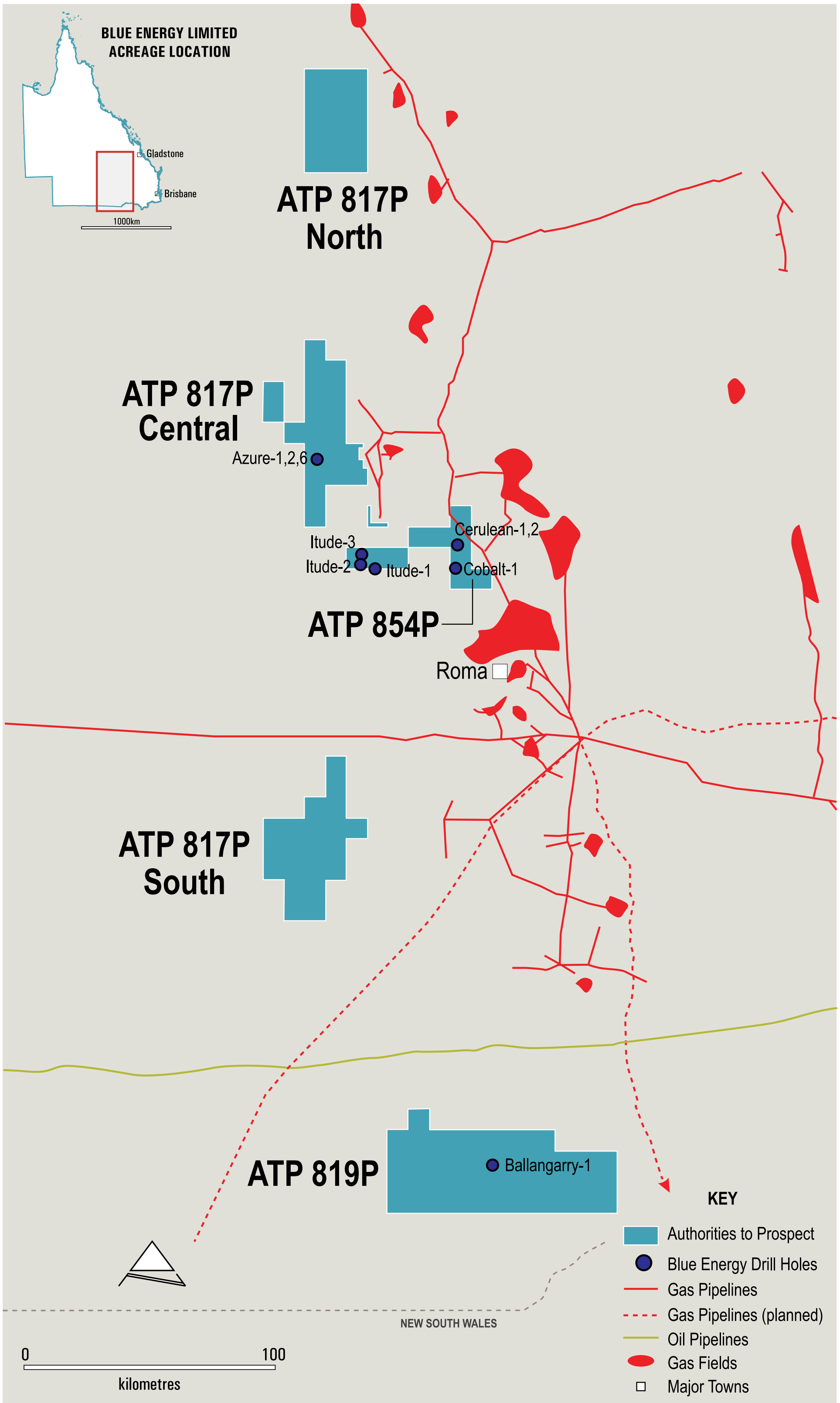
The northern area of ATP817P (ATP817P North) has access to Denison Trough conventional and unconventional gas plays. Blue Energy has not yet drilled in this Block, but is studying these plays and the potential prospectivity of this part of the permit. This Block is immediately west of the Arcturus conventional gas field, and is known to have structural closures within the Block. Coals are present within the Denison Trough stratigraphic sequence, most notably within the Mantuan Beds and the Reids Dome Beds.

The southern part of the permit – ATP817P South also has both conventional and unconventional potential. As yet this potential has not been quantified.

ATP819P

AREA: 3,297km^2
HOLDING: 100%, 12 years
COAL SEAMS: Jurassic Walloon Coal Measures
WORK COMPLETED: 1 core well
INFRASTRUCTURE: 100km from pipeline
OPERATOR: Blue Energy Limited

ATP819P is located in the western Surat Basin region around the St George district of Queensland. It covers a large area and has both conventional and unconventional hydrocarbon potential. Activity to date has been restricted to the drilling of the Ballangarry 1 well in 2010, which targeted the Cretaceous section. Geological and geophysical work is ongoing to establish the unconventional prospectivity of the permit.



blue energy/817_854_819AR Sept2011

AUSTRALIAN CONVENTIONAL OIL AND GAS ACREAGE PORTFOLIO

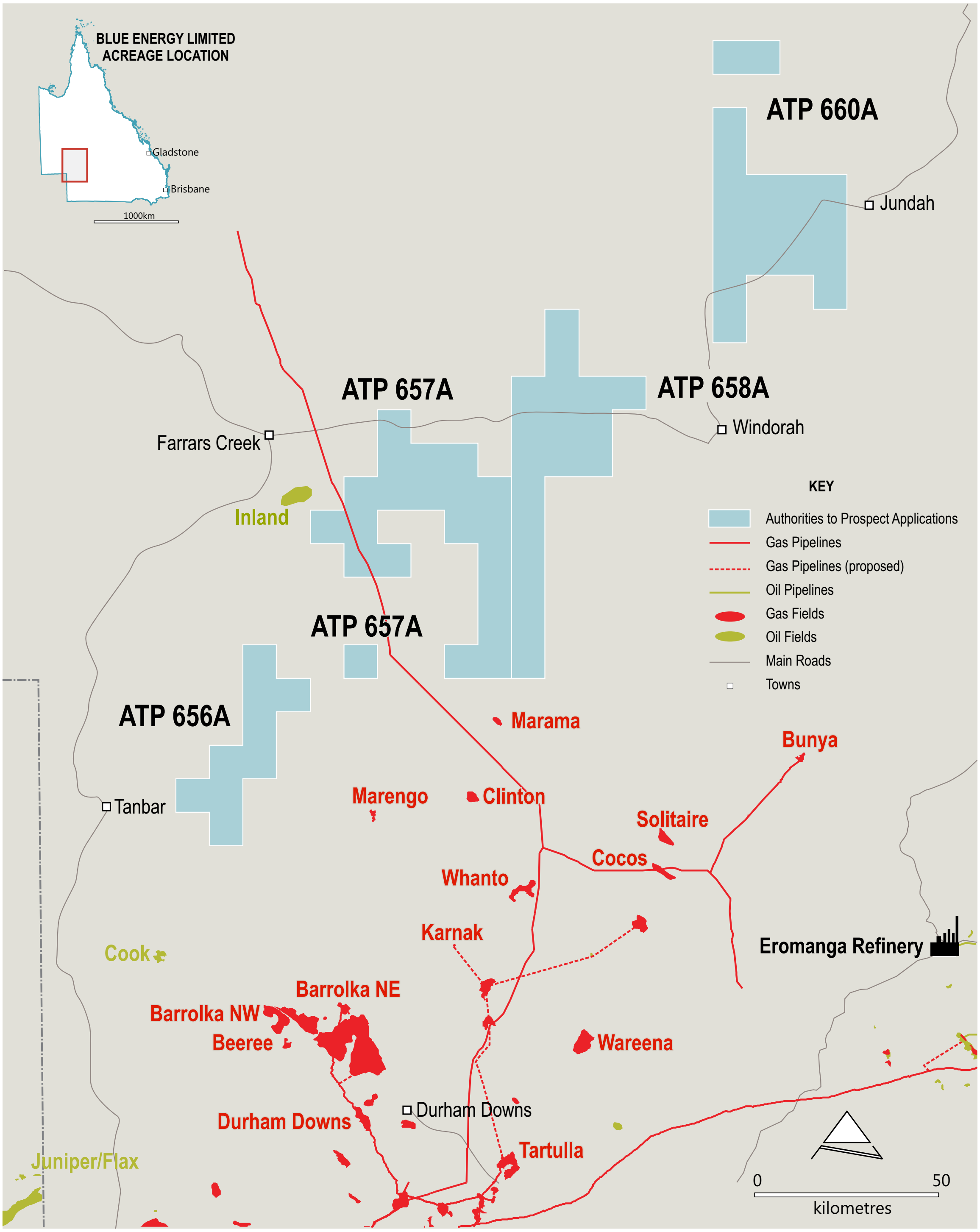
ATP656A, ATPA657A, ATP658A, ATP660A

STATE	BASIN	PERMIT	Km²	INTEREST	EXPECTED HYDROCARBONS
Queensland	Copper	ATP656A	696	100%	Oil, natural gas
Queensland	Copper	ATP657A	1,631	100%	Oil, natural gas
Queensland	Copper	ATP658A	1,399	100%	Oil, natural gas
Queensland	Copper	ATP660A	1,482	100%	Oil, natural gas
TOTAL			**5,208**		

These application areas lie in the northern part of the Cooper/Eromanga Basin area in western Queensland. Accordingly, they are within a major producing basin which is undergoing resurgence in activity, driven by historically high oil prices and the emerging shale gas play.

The grant of these permits is awaiting negotiation and execution of Native Title agreements. These areas will contain the conventional hydrocarbon plays of the Cooper Basin including oil and some Permian gas potential. Oil generated in the mature section of the Permian sequence may have been expelled from those source kitchens and migrated into overlying Jurassic reservoirs.

The application areas are also well situated, in close proximity to infrastructure, with the Carpentaria Gas pipeline from Ballera to Mt Isa passing through the application areas. In addition, the Inland oil field is adjacent to the application blocks.



blue energy/licence maps/atp applications/atp applications 14_9_11lp

FINANCIAL REPORT 2011

For the Year ended 30 June 2011

ACN 054 800 378

// CONTENTS

// DIRECTORS' REPORT

The Directors of Blue Energy Limited ("the Company" or "BUL") submit herewith their report on the Company and its controlled entities ("the Group" or "the Consolidated Entity") with respect to the financial year ended 30 June 2011.

The names and particulars of the Directors of the Company in office during or since the end of the financial year are as follows:

DIRECTORS

Peter Cockcroft BA (Geology & Geophysics), FRGS (Life), FAARM, Cert Bus Admin (EBS), GAICD

Chairman, Appointed 21 August 2008

Peter brings to Blue Energy extensive international gas industry experience, and has held management and executive positions in many countries with companies such as Shell, BHP, Premier Oil and others. Peter has also worked with the national oil companies of Indonesia and South Korea and as a special adviser to the President of Timor-Leste. Peter has also advised the Indonesian authorities on the formation of a coal seam gas fiscal regime.

Peter is internationally recognised as a Distinguished Lecturer on Risk for the Society of Petroleum Engineers (SPE), is a Life Member of SPE, Life Member of South East Asian Petroleum Exploration Society, Graduate of AICD Mastery program, Certified Petroleum Geologist with AAPG, and a member of the Institute of Directors in the UK. He has previously held board positions in Australia, Indonesia, India, Kuwait and the USA. Peter has authored in excess of thirty papers in the energy sector.

John Phillips BSc (Hons), GAICD

CEO/MD, Appointed 1 May 2009

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 27 years in the oil and gas industry has involved conventional oil and gas and CSG experience, in a variety of petroleum basins both domestically and internationally.

He 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, where his role included taking a lead in initial studies for the SUN LNG Project with Sojitz Corporation and the Reserves Certification process and FEED study for CSG developments.

Paul Massarotto PhD, B Eng (Chem), MAICD, BSAM, SPE

Non-Executive Director, Appointed 13 February 2009

Paul holds a PhD in Chemical Engineering from the University of Queensland where he is a Principal Research Fellow developing and leading research programs for industry to maximise CSG production and reserves. He has acted as an expert witness, lecturer and consultant to the international CBM/CSG industry and has published over 60 papers. His broad 40+ years' of experience covers senior technical, drilling, operational management and business development roles in the international oil and gas industry, both for Texaco and Esso, and he holds two Canadian patents in enhanced oil recovery. He also has had senior management roles in the international infrastructure and power consulting industry. He has a graduate certificate in Finance and Accounting from the Wharton School of Economics and is a member of Blue Energy's Risk and Audit Committee.

Garry Button BComm, FCPA, FFTP, MAICD

Non-Executive Director, Appointed 26 February 2009, Resigned 30 June 2011

Garry was the nominee of substantial shareholder, Stanwell Corporation Limited where he was Chief Financial Officer responsible for the strategic direction and operational performance of Stanwell's finance, business improvement, financial risk management and procurement functions. Garry has 30 years' experience including several senior financial and corporate roles within Queensland Rail, Fairfax and Unilever Australia. He is a Fellow of both CPA Australia and The Finance and Treasury Association (where he is also a past national President and NSW Chapter Chairman) and a Member of the Australian Institute of Company Directors. Garry was Chairman of Blue Energy's Risk and Audit Committee.

Heung-Bog Lee BEng, MA

Non-Executive Director, Appointed 1 October 2009

Heung-Bog is the Nominee of 8% Shareholder, Korea Gas Corporation (KOGAS), which is the largest LNG importer in the world. He has over 20 years' experience in LNG projects including Exploration and Production Projects in Australia, South Asia and Middle East Countries. He is currently Director of KOGAS Australia Pty Ltd and KGLNG Pty Ltd. He has a Bachelor of Engineering in Mechanical Engineering from Seoul National University of Science and Technology (SNUT) and a Master's Degree in Energy and Mineral Resources from the University of Texas in Austin.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by current Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Peter Cockcroft	Australian Oil Company Limited	2005 to June 2011
	Sky Petroleum Inc (OTC-BB)	2005 to 2008
	European Gas Limited (EPG)	July 2010 to April 2011
	NuEnergy Capital Ltd (NGY)	April 2011 to present

COMPANY SECRETARY

Stuart Owen BBus, CPA, GAICD

Appointed 14 July 2010, CFO from 1 July 2008

Stuart has a extensive 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 Commercial Manager for Energy Developments Limited. Previous 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 project financing, mergers and acquisitions and project development.

EARNINGS PER SHARE

	2011	2010
	(Cents)	(Cents)
Basic loss per share	(0.77)	(1.60)
Diluted loss per share	(0.77)	(1.59)

DIVIDENDS

No dividends were paid or declared by the Company during the financial year. The Directors do not recommend the payment of a dividend (2010: $Nil).

PRINCIPAL ACTIVITIES

Blue Energy Limited is an energy company that undertakes the exploration, evaluation and development of coal seam gas ("CSG") and other conventional and unconventional oil and gas resources. This activity is carried out in a single significant geographical segment being Australia, principally in Queensland. There has been no change in the principal activities of the Company from the prior year.

OPERATING AND FINANCIAL REVIEW

Operating and Exploration Activities

Information on the operations of the Company and its business strategies and prospects is set out on pages 12 to 37 of this Annual Report.

Funding Arrangements

The Company continues to hold sufficient cash reserves to enable the rollout of its planned work programs. Future capital raising activities will take place if and when the Board deem that such a raising of funds is appropriate.

Financial Position

The net assets of the Consolidated Entity have increased by $2,400,184 from 30 June 2010 to 30 June 2011 to $67,868,885. The increase has largely resulted from capital raisings during the year and the application of funds to evaluation and exploration expenditure.

The Consolidated Entity incurred a loss after income tax for the period of $5,128,454 (2010: $10,098,388).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows:

During the year the Company announced that an independent assessment by Netherland, Sewell and Associates of the datasets from ATP814P and ATP813P had resulted in a significant increase to the initial resource estimate. For further details refer to the operations reports on pages 26 and 30 of this Annual Report.

The Company reached resolution in regard to the legal action brought by a former corporate advisor, BBY Limited. The proceedings were settled on mutually acceptable commercial terms which by agreement are confidential.

On 1 April 2011 the Company raised $6,000,000 via a private placement to institutional and sophisticated investors.

EVENTS AFTER BALANCE DATE

From 1 July 2011 to the date of this report, no shares have been issued. A total of 500,000 options over shares and 93,000 Employee incentive rights have lapsed.

The Monslatt 9 combination core and pilot production well commenced drilling on 26 August 2011. The well is located in the southern part of the Monslatt Block of ATP814P and is designed to establish the production potential of the Moranbah Coal Measures in this portion of the block through the acquisition of core and log data.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company expects to continue to operate as an oil and gas exploration company with specific operational focus on Coal Seam Gas (CSG) tenements in Queensland.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group holds various licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.

All exploration activities have been undertaken in compliance with all relevant environmental regulations.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has in place an insurance policy to provide Director's and Officer's liability insurance pursuant to a Deed of Indemnity entered into by the Company with each Director and certain Officers of the Company. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability as such disclosures are prohibited under the terms of the contract.

Other than stated above, the Company has not during, or since the financial year ended, agreed to indemnify an Officer of the Company against a liability arising from acts carried out in their position as an Officer of the Company.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and Executives of Blue Energy Limited.

Remuneration Philosophy

The Company's broad remuneration policy is to ensure each remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The objective of the Company's executive reward framework, which currently applies to Mr J Phillips (MD), Mr S Owen (CFO and Company Secretary) and Mr C Hefner (Exploration and Production Manager), is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness,
- acceptability to shareholders,
- transparency, and
- capital management.

The Company has structured an executive remuneration framework that is market competitive and compliments to the reward strategy of the organisation.

The following tables disclose the remuneration of the Directors and Executives of the Company:

2011	Short-Term			Post Employment		Share-based Payments		Proportion of Remuneration Performance Related	Value of Options as a Proportion of Remuneration
Directors	Salary & fees $'000	Cash bonus $'000	Other benefits $'000	Superannuation $'000	Termination benefits $'000	Options/ Rights $'000	Total $'000	%	%
Directors									
P Cockcroft	102	-	-	-	-	92	194	32%	47%
J Phillips	350	-	30	50	-	117	547	16%	21%
P Massarotto	65	-	-	-	-	31	96	-	32%
G Button[1]	65	-	-	-	-	-	65	-	-
HB Lee	60	-	-	-	-	-	60	-	-
TOTAL	642	-	30	50	-	240	962	15%	24%
Executives [2]									
S Owen	240	9	45	21	-	156	471	24%	33%
C Hefner	250	8	31	23	-	27	339	7%	8%
TOTAL	490	17	76	44	-	183	810	17%	23%
TOTAL	1,170	17	106	94	-	422	1,810	16%	23%

[1] Mr Button resigned as a Director on 30 June 2011.

[2] Mr Owen and Mr Hefner were paid discretionary cash bonuses during the year, based on individual and company performance for the year ended 30 June 2010 in line with other Blue Energy employees.

2010	Short-Term			Post Employment		Share-based Payments		Proportion of Remuneration Performance Related	Value of Options as a Proportion of Remuneration
Directors	Salary & fees $'000	Cash bonus $'000	Other benefits $'000	Superannuation $'000	Termination benefits $'000	Options/ Rights $'000	Total $'000	%	%
Directors									
P Cockcroft[1]	327	30	-	17	-	37	411	7%	9%
J Phillips[2]	334	25	10	50	-	42	461	5%	9%
P Massarotto	57	-	-	-	-	13	70	-	19%
G Button	56	-	-	5	-	-	61	-	-
HB Lee[3]	43	-	-	-	-	-	43	-	-
B McGillivray[4]	13	-	-	-	-	-	13	-	-
P Flanagan[5]	17	-	-	-	-	-	17	-	-
S Harrison[6]	25	-	-	-	-	-	25	-	-
TOTAL	872	55	10	72	-	92	1,101	5%	8%
Executives									
S Owen	233	25	33	21	-	42	354	7%	12%
C Hefner[7]	37	-	1	3	-	2	43	-	5%
TOTAL	270	25	34	24	-	44	397	6%	11%
TOTAL	1,142	80	44	96	-	136	1,498	5%	9%

[1] Mr Cockcroft relinquished his Executive duties on 1 April 2010 and remains as Non-Executive Chairman.

[2] Mr Phillips was appointed Chief Executive Officer in 1 April 2010 and Managing Director on 28 June 2010. The remuneration amounts include those paid whilst in the COO and CEO roles.

[3] Mr Lee was appointed as a Director on 1 October 2009.

[4] Mr McGillivray retired as a Director on 23 September 2009.

[5] Mr Flanagan retired as a Director on 11 November 2009.

[6] Mr Harrison retired as a Director on 31 December 2009.

[7] Mr Hefner was appointed Exploration and Production Manager on 10 May 2010.

DETAILS OF REMUNERATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Directors

On appointment to the Board, all Directors agree to terms of appointment as set out in a letter of appointment. The letter sets out the remuneration applicable and other matters such as general Directors' duties, compliance with the Company's Corporate Governance Policies, access to independent professional advice and confidentiality obligations.

The Chairman receives fees of $85,000 (2010: $85,000) per annum and Directors receive fees of $60,000 (2010: $60,000) per annum inclusive of compulsory superannuation where applicable. Directors who are appointed to committees of the Board receive an additional $5,000 per annum per committee position inclusive of compulsory superannuation where applicable. There are no termination payments applicable. The terms of appointment also include the reimbursement of reasonable business-related expenses including accommodation and other expenses that a Director or other Executive properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending any meetings of Members and in connection with the business of the Company. A Director may be paid fees or other amounts as the Directors determine where a Director performs duties or provides services outside the scope of their normal Director's duties.

Mr John Phillips (MD/CEO) – A contract has been entered into with Mr Phillips for 3 years commencing 1 April 2010 incorporating a remuneration package based on an annual salary of $400,000, including superannuation, and termination clauses in the event of breaches by either party up to a maximum of six months' total fixed remuneration or otherwise on three months' notice. The contract provides for the continuation of 2,500,000 incentive options, provided for in Mr Phillips previous contract, to acquire shares of the Company to vest in two tranches of 833,333 and one tranche of 833,334 on the Company share price reaching certain hurdles set by the Company consistent with the Employee Share Option Plan (ESOP). Following Shareholder approval in November 2010, Mr Phillips was issued 3,467,000 employee incentive rights under the Shareholder approved Employee Incentive Rights Plan. The employee incentive rights were issued in 2 tranches, tranche 1 being 267,000 retention rights and tranche 2 being 3,200,000 performance rights. Both tranches vest on 30 June 2013 and were issued for nil consideration.

Other Key Management Personnel

Key Management Personnel may be employed by the Company under a contract.

At the date of this report, the following contracts had been entered into with the following key management personnel:

Mr Stuart Owen (CFO/Company Secretary) – A contract has been entered into with Mr Owen for 3 years commencing 1 July 2008 incorporating a remuneration package based on an annual salary of $292,200, including superannuation, and termination clauses in the event of breaches by either party up to a maximum of six months' total fixed remuneration or otherwise on three months' notice. The contract provides for the granting of 1,500,000 incentive options to acquire shares of the Company to vest in three tranches of 500,000 each on the Company share price reaching certain hurdles set by the Company consistent with the ESOP. Following Shareholder approval in November 2010 of the Employee Incentive Rights Plan, Mr Owen was issued 3,180,000 employee incentive rights. The employee incentive rights were issued in 4 tranches, tranche 1 being 167,000 retention rights (vesting 30 June 2012), tranche 2 being 187,000 retention rights (vesting 30 June 2013), tranche 3 being 1,333,000 performance rights (vesting 30 June 2012) and tranche 4 being 1,493,000 performance rights (vesting 30 June 2013). All were issued for nil consideration. On 8 July 2011, Mr Owen's contract was extended for a further 3 years on the same terms and conditions.

Mr Clifton Hefner (Exploration and Production Manager) – A contract has been entered into with Mr Hefner for 3 years commencing 10 May 2010 incorporating a remuneration package based on an annual salary of $272,500, including superannuation, and termination clauses in the event of breaches by either party up to a maximum of six months' total fixed remuneration or otherwise on three months' notice. The contract provides for the granting of 1,500,000 incentive options to acquire shares of the Company to vest in three tranches of 500,000 each on the Company share price reaching certain hurdles set by the Company consistent with the ESOP. Following Shareholder approval in November 2010 of the Employee Incentive Rights Plan, Mr Hefner forfeited his incentive options and was issued 1,635,000 employee incentive rights. The employee incentive rights were issued in 2 tranches, tranche 1 being 182,000 retention rights and tranche 2 being 1,453,000 performance rights. Both tranches vest on 30 June 2013 and were issued for nil consideration.

Elements of Remuneration Related to Performance

No element of the Director's or Executive's remuneration is currently dependent on the satisfaction of a related individual performance condition.

Interests in Options and Employee incentive rights of the Company

The movement in the number of options and employee incentive rights over ordinary shares in Blue Energy Limited held directly, indirectly or beneficially, by each Key Management Person, including their related parties, is as follows:

2011	Balance at 30 June 2010 Number	Granted as compensation Number	Expired Number	Balance at 30 June 2011 Number	Vested and Exercisable at 30 June 2011 Number	Expensed during year ended 30 June 2011 $'000	Percentage remuneration represented as options %
Directors							
P Cockcroft	4,000,000	-	-	4,000,000	-	92	47%
J Phillips	2,500,000	3,467,000	-	5,967,000	-	117	21%
P Massarotto	1,200,000	-	-	1,200,000	-	31	32%
Executives							
S Owen	1,500,000	3,180,000	-	4,680,000	-	156	33%
C Hefner	1,500,000	1,635,000	1,500,000	1,635,000	-	27	8%

Interests in Shares of the Company

The movement during the year in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2011	Balance at 30 June 2010 Number	Granted as compensation Number	On exercise of Options Number	Net Change Other Number	Balance at 30 June 2011 Number
Directors					
P Cockcroft	149,178	-	-	-	149,178
J Phillips	54,799	-	-	-	54,799
P Massarotto	700,000	-	-	790,000	1,490,000
Total	903,977	-	-	790,000	1,693,977
Executives					
S Owen	126,198	-	-	90,000	216,198
C Hefner	-	-	-	83,000	83,000
Total	126,198	-	-	173,000	299,198

Value of Employee incentive rights issued to Directors and Other Key Management Personnel

During the financial year Employee incentive rights were granted as equity compensation benefits under the terms of agreements with key management personnel as disclosed below. The Employee incentive rights were granted for nil consideration. Each Employee incentive rights entitles the holder to subscribe for one fully paid ordinary share in Blue Energy at the stated exercise price.

2011		Vested	Granted	Terms and Conditions of Each Grant			
		Number	Number	Grant Date	Fair Value per right at grant date $	Exercise price per share $	Vesting Date
Directors							
J Phillips	A	-	267,000	22/11/10	0.135	nil	30/06/13
	B	-	3,200,000	22/11/10	0.095	nil	30/06/13
		-	3,467,000				
Executives							
S Owen	A	-	167,000	22/11/10	0.135	nil	30/06/12
	B	-	187,000	22/11/10	0.135	nil	30/06/13
	C	-	1,333,000	22/11/10	0.095	nil	30/06/12
	D	-	1,493,000	22/11/10	0.095	nil	30/06/13
		-	3,180,000				
C Hefner	A	-	182,000	22/11/10	0.135	nil	30/06/13
	B	-	1,453,000	22/11/10	0.095	nil	30/06/13
		-	1,635,000				

None of the options or employee incentive rights issued by the Company to current Directors or key management personnel are quoted on the Australian Stock Exchange or had been exercised during the financial year or up to the date of this report.

Unissued Shares

At balance date there were 17,400,000 unissued ordinary shares under option and 8,884,000 unissued ordinary shares under employee incentive rights (16,900,000 and 8,791,000 respectively at the date of this report). Refer to the table below and Note 15 – Issued Capital for details.

Option Details

Grant Date	Exercise Date	Expiry Date	Exercise Price $	Fair value at Grant Date $	Number of options at beginning of period	Options Granted	Options Lapsed	Options Exercised	Number of options at 30 June 2011	Number of options vested and exercisable at 30 June 2011
30-Mar-07	30-Mar-07	30-Mar-11	0.25	0.08	5,666,667	-	5,666,667	-	-	-
30-Mar-07	30-Mar-07	30-Mar-11	0.30	0.07	5,666,667	-	5,666,667	-	-	-
3-Sep-07	3-Sep-07	2-Sep-10	0.35	0.12	2,000,000	-	2,000,000	-	-	-
Sep-08 Qtr[(a)]	Aug-10	Aug-13	0.25	0.22	1,476,667	-	143,333	-	1,333,334	-
Sep-08 Qtr[(a)]	Sep-10 to Aug-11	Sep-12 to Aug-13	0.25	0.22	1,476,667	-	143,333	-	1,333,334	-
Sep-08 Qtr[(a)]	Sep-11 to Aug-12	Sep-12 to Aug-13	0.25	0.21	1,476,666	-	143,334	-	1,333,332	-
9-Jan-09[(a)]	9-Jan-10	8-Jan-14	0.25	0.13	20,000	-	-	-	20,000	-
9-Jan-09[(a)]	9-Jan-11	8-Jan-14	0.25	0.13	20,000	-	-	-	20,000	-
9-Jan-09[(a)]	9-Jan-12	8-Jan-14	0.25	0.13	20,000	-	-	-	20,000	-
1-May-09[(a)]	1-May-10	30-Apr-14	0.25	0.17	833,333	-	-	-	833,333	-
1-May-09[(a)]	1-May-11	30-Apr-14	0.25	0.17	833,333	-	-	-	833,333	-
1-May-09[(a)]	1-May-12	30-Apr-14	0.25	0.16	833,334	-	-	-	833,334	-
4-Dec-09[(a)]	4-Dec-10	4-Dec-14	0.25	0.12	3,866,666	-	-	-	3,866,666	-
4-Dec-09[(a)]	4-Dec-11	4-Dec-14	0.25	0.12	666,667	-	-	-	666,667	-
4-Dec-09[(a)]	4-Dec-12	4-Dec-14	0.25	0.11	666,667	-	-	-	666,667	-
17-Feb-10	17-Feb-10	17-Feb-13	0.25	0.07	4,000,000	-	-	-	4,000,000	-
12-Mar-10[(a)]	12-Mar-11	11-Mar-15	0.25	0.11	736,663	-	189,999	-	546,664	-
12-Mar-10[(a)]	12-Mar-12	11-Mar-15	0.25	0.10	736,667	-	190,000	-	546,667	-
12-Mar-10[(a)]	12-Mar-13	11-Mar-15	0.25	0.10	736,670	-	190,001	-	546,669	-
10-May-10[(a)]	10-May-11	10-May-15	0.25	0.11	500,000	-	500,000	-	-	-
10-May-10[(a)]	10-May-12	10-May-15	0.25	0.11	500,000	-	500,000	-	-	-
10-May-10[(a)]	10-May-13	10-May-15	0.25	0.10	500,000	-	500,000	-	-	-
					33,233,334	-	15,833,334	-	17,400,000	-
Weighted average exercise price					0.26		0.28		0.25	
Weighted average remaining contract life									898 days	

Total expense recognised $858,706 (2010: $720,432)

No options were granted during the year.

Fair value of options lapsed during the year was $1,353,869

No options were exercised during the year

The Options outstanding at 30 June 2011 have an exercise price of $0.25 (2010: $0.25 to $0.35)

(a) Options granted under the current Employee Share Option Plan (ESOP)

There were no options granted during the year. No options were exercised during the year.

None of the options issued by the Company are quoted on the Australian Stock Exchange.

A total of 500,000 options over shares lapsed between 30 June 2011 and the date of this report.

The options do not entitle the holder to participate in any dividends or pro-rata share issues of the Company.

Rights Details

Effective Grant Date	Exercise Date	Type of Right	Exercise Price $	Fair value at Grant Date $	Number of Rights at beginning of period	Rights Granted	Rights Lapsed	Rights Exercised	Number of Rights at 30 June 2011
01-Jul 10	30-Jun-12	Retention	nil	$0.135	-	167,000	-	-	167,000
01-Jul 10	30-Jun-13	Retention	nil	$0.135	-	1,399,000	161,000	-	1,238,000
01-Jul 10	30-Jun-12	Performance	nil	$0.095	-	1,333,000	-	-	1,333,000
01-Jul 10	30-Jun-13	Performance	nil	$0.095	-	6,146,000	-	-	6,146,000
					-	9,045,000	161,000	-	8,884,000

Weighted average exercise price – nil	
Weighted average remaining contract life	669 days
Total expense recognised $160,475 (2009: $Nil)	
Fair value of rights granted during the year was $460,958	
Fair value of rights lapsed during the year was $21,735	
Fair value of rights exercised during the year was $Nil. Nil shares were issued on the exercise of rights	
The rights outstanding at 30 June 2011 have nil exercise price	

The fair value of Performance Rights granted was calculated using the Binomial pricing model utilising the following inputs:

	Note	
Exercise Price	1	$0.00
Current Stock Price	2	$0.135
Barrier		$0.49
Exercise Date		30 June 2013
Vesting Period		3 Years
Expected share price volatility	3	90%
Risk free interest rate	4	4.47%
Dividend yield	5	0%

1. In substance, the performance rights is an option with a zero exercise price.
2. The underlying share price is based on the price of the security on the ASX on 30 June 2010.
3. The recent volatility of the share price of Blue Energy was calculated using Hoadley's volatility calculator, using data extracted from Bloomberg.
4. The risk-free rate is the Commonwealth Government securities rate with a maturity date approximating that of the expiration period of the options. (Source: Reserve Bank of Australia)
5. The Company's best estimate of dividend yield, representing a discount to long-term dividend policy to reflect build up of dividend payout over the life of the performance rights.

None of the employee incentive rights issued by the Company are quoted on the Australian Stock Exchange.

A total of 93,000 employee incentive rights over shares lapsed between 30 June 2011 and the date of this report.

Employee Options and Incentive Rights

The Company has in place from previous years an Employee Share Option Plan (ESOP), as well as an Employee incentive rights Plan (EIRP) implemented during 2010/11. During the financial year 9,045,000 employee incentive rights were granted. A total of 15,833,334 options and 161,000 employee incentive rights with a fair value of $1,375,604 expired under the ESOP and EIRP. No options or employee incentive rights were exercised during the year.

Options issued under the ESOP from 12 March 2008 onwards have two vesting conditions. The first of these being an exercise date no earlier than either 1, 2 or 3 years from grant date and secondly, the shares of the Company must trade for thirty consecutive days on the Australian Stock Exchange with a weighted average share price greater than certain share price hurdles determined by the Company.

Employee incentive rights under the EIRP from 1 July 2010 onwards comprise retention rights and performance rights. For retention rights to vest, the employee must remain with the Company until 30 June 2013*. The portion of performance rights that vest is determined by Blue Energy's total shareholder return (TSR) as determined by an independent advisor over the period to 30 June 2013*. The minimum compound annual TSR for the three years is 15% which results in a 25% vesting rate for the performance incentive rights. At present, the Board has determined that the issue of performance rights will be limited to those individuals (Key Management Personnel) who have a direct ability to influence the performance of the Company.

On vesting, the Company will either issue Restricted Shares or arrange for them to be acquired for the employee's benefit by the trustee of the Blue Energy Employee Share Trust (EST). When Shares are to be acquired by the Blue Energy EST, the employer or Blue Energy will contribute the then market value of the Shares to be acquired to the trustee of the Blue Energy EST and the trustee shall apply those funds to acquire Shares by on-market purchase or subscription to a new issue as directed by the Board of Blue Energy. Restricted Shares means that they may not be sold or otherwise disposed of until first advised by the Company, which the Company shall do at the first opportunity to do so, when Shares may be sold without breaching the insider trading provisions of the *Corporations Act 2001* or the Company's securities trading policy.

* Following advice from remuneration consultant Godfrey Remuneration Group the Board approved the issue to Mr Owen, the Company CFO and Company Secretary, of an additional tranche of retention and performance rights with a vesting date of 30 June 2012. The advice was based upon Mr Owens' length of service and the time past since the issue of his original options.

DIRECTORS' MEETINGS

The number of meetings of Directors (and Committees of Directors) held and number of meetings attended by each of the Directors of the Company during the financial year was as follows:

	Numbers of meetings of full Board		Risk and Audit Committee	
	Held	Attended	Held	Attended
P Cockcroft	14	13	*	*
P Massarotto	14	14	4	4
G Button	14	12	4	4
HB Lee	14	12	*	*

* Not a member of the relevant Committee

Following the resignation of Mr Garry Button on 30 June 2011 as a Director and member of the Risk and Audit Committee, the full Board has resumed the Risk and Audit function until such time as a suitable replacement is identified, at which time the Risk and Audit Committee will be re-established.

The Nomination and Environmental Committee functions are currently handled by the full Board of Directors. This is considered appropriate at the current stage of the Company's development but will be reviewed from time to time.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 58 and forms part of the Directors' Report for the year ended 30 June 2011.

NON-AUDIT SERVICES

The Group's auditor, Crowe Horwath (formally WHK Horwath), did not provide any non-audit services during the financial year. Generally, where non-audit services are provided by the Group's auditor, the Directors must be satisfied that the provision of the non-audit service is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided must not compromise the general principles relating to Auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in some cases, to the nearest dollar.

This report has been signed in accordance with a resolution of the Board of Directors made pursuant to s298 (2) of the *Corporations Act 2001*.

For and on behalf of the Directors

John Phillips
Chief Executive Officer
and Managing Director

Brisbane
27 September 2011

CORPORATE GOVERANCE STATEMENT

To ensure the Company operates effectively and in the best interests of shareholders, having regard to the nature of the Company's activities and its size, the Board has adopted the revised Corporate Governance Principles and Recommendations 2nd Edition (as amended at 30 June 2010) issued by the ASX Corporate Governance Council, subject to the exceptions noted below.

Principles and Recommendations	Adoption Yes/No	If not, explanation provided
Principle 1 – Lay solid foundations for management and oversight		
Recommendation 1.1 - Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	
Recommendation 1.2 - Companies should disclose the process for evaluating the performance of senior executives.	Yes	
Recommendation 1.3 - Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes	
Principle 2 – Structure the board to add value		
Recommendation 2.1 - A majority of the board should be independent Directors.	No	Yes
Recommendation 2.2 - The chair should be an independent Director.	No	Yes
Recommendation 2.3 - The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	
Recommendation 2.4 - The board should establish a nomination committee.	No	Yes
Recommendation 2.5 - Companies should disclose the process for evaluating the performance of the board, its committees and individual Directors.	Yes	
Recommendation 2.6 - Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	
Principle 3 – Promote ethical and responsible decision-making		
Recommendation 3.1 - Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	
Recommendation 3.2 – Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. That policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Yes	
Recommendation 3.3 - Companies should disclose in each annual report the measurable objectives set by the board in accordance with the diversity policy and progress towards achieving them.	No	Yes
Recommendation 3.4 – Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	
Recommendation 3.5 – Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	
Principle 4 – Safeguard integrity in financial reporting		
Recommendation 4.1 - The board should establish an audit committee.	Yes	
Recommendation 4.2 - The audit committee should be structured so that it: • consists only of non-executive Directors • consists of a majority of independent Directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	No	Yes
Recommendation 4.3 - The audit committee should have a formal charter.	Yes	
Recommendation 4.4 - Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	

Principles and Recommendations	Adoption Yes/No	If not, explanation provided
Principle 5 – Make timely and balanced disclosure		
Recommendation 5.1 - Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	
Recommendation 5.2 - Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	
Principle 6 – Respect the rights of shareholders		
Recommendation 6.1 - Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	
Recommendation 6.2 - Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	
Principle 7 – Recognise and manage risk		
Recommendation 7.1 - Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	
Recommendation 7.2 - The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	
Recommendation 7.3 - The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	
Recommendation 7.4 - Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	
Principle 8 – Remunerate fairly and responsibly		
Recommendation 8.1 - The board should establish a remuneration committee.	No	Yes
Recommendation 8.2 - The remuneration committee should be structured so that it: • consists of a majority of independent Directors • is chaired by an independent Director • has at least three members	No	Yes
Recommendation 8.3 - Companies should clearly distinguish the structure of non-executive Director's remuneration from that of executive Directors and senior executives.	Yes	
Recommendation 8.4 – Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	

Principle 1 – Lay solid foundations for management and oversight

The Company has formalised the respective roles and responsibilities of the Board and Management in a Board Charter. A copy of the Board Charter is available in the Corporate Governance section of the Company's public website.

The Company has established a formal process for evaluating the performance of senior executives which involves a performance and development review cycle where responsibilities and performance objectives are defined and regular feedback is provided through structured performance review meetings which are held in July each year. The performance of all senior executives has been reviewed in accordance with this process.

Principle 2 – Structure the board to add value

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their period in office are detailed in the Directors' Report. Due to the size of the Company, there is not a clear majority of the Board who are independent

Directors. This is contrary to ASX Corporate Governance Principle 2.1 which recommends that a company's Board comprise a majority of independent Directors, however, given the relative size of the Company, the interests of the shareholders and the stage of its development, the Directors consider the current Board composition is appropriate. The situation will be monitored and changed in line with best practice as and when the Directors feel the company is of sufficient size. Following the resignation of Mr Garry Button as a Director, effective 30 June 2011, the Company is currently conducting a search to find a suitable replacement for Mr Button.

The Company's Chairman performed in an executive role from 1 November 2008 until 31 March 2010 and as such is not independent by definition. This is contrary to ASX Corporate Governance Principle 2.2. Mr Cockcroft is no longer acting in an executive capacity and the Board believes that Mr Cockcroft appropriately discharged his duties as Chairman.

The Board has one independent Director and 3 non-independent Directors. The name of the Director considered to be independent is:

Paul Massarotto

The Board is currently seeking additional independent director's to join the Board.

Each Director has the right to access all relevant information and, subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the Director is made available to all other members of the Board.

A nomination committee has not been formed under recommendation 2.4. The Board as a whole considers the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise.

A board performance evaluation program has been designed to evaluate the performance of the board as a whole, individual Directors and board committees on an annual basis. All evaluations have regard to the collective nature of board work, the operation of governance processes established in our board charters and the attainment of any goals set by the board. Board evaluation is conducted at a number of levels using a combination of assessment questionnaires and face-to-face meetings.

The performance of the board, individual Directors and committees has been reviewed in accordance with this process.

The Board Charter, which includes the Company's criteria for independence of Directors, is available in the Corporate Governance section of the Company's public website.

Principle 3 – Promote ethical and responsible decision-making

The Company has established a Code of Conduct which sets out the Company's key values and how they should be applied within the workplace and in dealings with those outside of the Company. A summary of the Code of Conduct is available in the Corporate Governance section of the Company's public website.

Blue Energy has established a diversity policy having regard to the suggestions set out in the new ASX Corporate Governance Principles and Recommendations. Our diversity policy covers gender, age, ethnicity and cultural background. It includes a requirement that the board establish measurable objectives for achieving gender diversity, with progress in achieving these objectives assessed annually.

As at 30 June 2011 the company had the following proportions of women:

On the board of Directors	0%
In senior management positions	0%
In the whole organisation	29%

The Company has yet to finalise the measureable objectives in accordance with the diversity policy which is in contravention of ASX Corporate Governance Principle 3.3. These objectives are currently being formulated and will be in place within the required time frame of 30 June 2012.

Principle 4 – Safeguard integrity in financial reporting

The Company has formed a Risk and Audit Committee consisting of two non-executive Directors of whom one is independent as defined by the ASX Corporate Governance Council's Principles. The members of the Risk and Audit Committee during the 2010 -2011 financial year were:

Garry Button Chairman, non-independent Director (resigned 30 June 2011)
Paul Massarotto Non-Executive Director, independent Director

Due to the size and composition of the Company's Board the Committee does not contain at least three members as required under ASX Corporate Governance Principle 4.2. The Chairman of the Risk and Audit Committee was not an independent Director as required under ASX Corporate Governance Principle 4.2. The Board believes that given Mr Garry Buttons' accounting and finance experience he was the appropriate Director to Chair the committee. The Board views the composition of the Committee to be appropriate given the size and nature of the Company and Board and will continue to review the Committee composition.

Following the resignation of Mr Garry Button as a Director and member of the Risk and Audit Committee on 30 June 2011, the full Board has resumed the responsibility for the risk and audit function until a suitable replacement for Mr Button can be identified.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term in office are detailed in the Directors' Report.

The Risk and Audit Committee formally reports to the Board after each of its meetings. Details of the number of meetings of the Audit Committee during the 2011 financial year and attendance of member are set out in the Directors' Report.

The external audit engagement partner responsible for the Company audit attends meetings of the Board and Audit Committee by invitation.

The Risk and Audit Committee Charter, which includes information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, is available in the Corporate Governance section of the Company's public website.

Principle 5 – Make timely and balanced disclosure

The Company has established a continuous disclosure policy to ensure compliance with the continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001* and to ensure all investors have equal and timely access to material information concerning the Company and that Company announcements are factual and presented in a clear and balanced way.

A summary of the Continuous Disclosure Policy is available in the Corporate Governance section of the Company's public website.

Principle 6 – Respect the rights of shareholders

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

Information is communicated to shareholders through the:

- Company website;
- ASX Company Announcements platform;
- Half-year Report;
- Annual Report;
- Quarterly Operations Report; and
- other correspondence regarding matters impacting on shareholders as required.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and association with the Company's strategy and goals.

The Shareholder Communications Policy, designed to promote effective communication with shareholders, is available in the Corporate Governance section of the Company's public website.

Principle 7 – Recognise and manage risk

The Company has an established enterprise risk management program that during the 2010 financial year was upgraded in accordance with the new International Risk Standard AS/NZS ISO 31000:2009. It also has an established internal control program based upon the principles set out in the Australian Compliance Standard AS 3806:2006.

The Company's enterprise risk management program addresses its material business risks. Each identified risk is individually assessed in terms of the likelihood of the risk event occurring and the potential consequences in the event that the risk event was to occur. The CompliSpace Assurance software has been implemented through which material business risks are linked to mitigating controls. This software gives the Company the ability to monitor the performance of its enterprise risk and compliance programs in real time. It also ensures transparency of data and ease of reporting to the Board.

Management has provided to the Board a report as to the overall effectiveness of the Company's management of its material business risks during the 2011 financial year.

The Board has received assurance from the CEO and CFO that in their views:

- the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control; and
- the system of risk management and internal control, to the extenet that they relate to financial reporting, are operating effectively and efficiently in all material respects.

A summary of our risk management program is available in the Corporate Governance section of the Company's public website.

Principle 8 – Remunerate fairly and responsibly

The Company does not have a dedicated Remuneration Committee but rather the task of ensuring that the level of Director and Executive remuneration is sufficient and reasonable and that its relationship to performance is clear is dealt with by the full board. The Board Charter is available on the Company's public website.

Senior executives and Directors are prohibited from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity based remuneration packages, such as options and employee incentive rights.

The Board, and hence the Remuneration Committee, does not consist of the majority of independent directors, or be chaired by an independent director. Given the relative size of the Company, the interests of the shareholders and the stage of its development, the Directors consider the current Remuneration Committee composition is appropriate. The situation will be monitored and changed in line with best practice as and when the Directors feel the Company is of sufficient size.

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A WHK Group Firm

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Blue Energy Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there has been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Crowe Horwath Brisbane

Crowe Horwath Brisbane

Vanessa de Waal
Partner

Signed at Brisbane, 27 September 2011

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// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Revenue	3a	917	1,700
Other income	3b	19	(55)
Operating & administration expenses	4a	(5,696)	(6,098)
Finance costs	4b	(17)	(230)
Asset impairment expense	4c	12	(4,867)
Options expense	15	(859)	(720)
Profit / (loss) from continuing operations before income tax		(5,624)	(10,270)
Income tax (expense) / revenue	5	495	172
Profit / (loss) after income tax expense		(5,129)	(10,098)
Other comprehensive income / (loss)		836	(286)
Total comprehensive income / (loss) for the year		(4,293)	(10,384)
Profit / (loss) for the year attributable to:			
Owners of the parent		(5,129)	(10,098)
Non-controlling interests		-	-
Total profit / (loss) for the year		(5,129)	(10,098)
Total comprehensive income / (loss) for the year attributable to:			
Owners of the parent		(4,293)	(10,384)
Non-controlling interests		-	-
Total comprehensive income / (loss) for the year		(4,293)	(10,384)
Earnings per share (cents per share):			
- basic	23	(0.77)	(1.60)
- diluted	23	(0.77)	(1.59)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 $'000	2010 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	14,937	26,975
Trade and other receivables	7a	222	1,185
Financial assets	9a	-	1,248
Inventories	8	1,106	1,384
Total Current Assets		16,265	30,792
Non-Current Assets			
Property, plant and equipment	10	492	683
Trade and other receivables	7b	584	712
Exploration & evaluation expenditure	11	53,658	43,842
Total Non-Current Assets		54,734	45,237
TOTAL ASSETS		70,999	76,029
LIABILITIES			
Current Liabilities			
Trade and other payables	12	1,403	8,391
Short term provisions	14a	1,043	1,326
Total Current Liabilities		2,446	9,717
Non-Current Liabilities			
Long term provisions	14b	684	842
Total Non-Current Liabilities		684	842
TOTAL LIABILITIES		3,130	10,559
NET ASSETS		67,869	65,470
EQUITY			
Issued capital	15	104,668	98,387
Reserves	16	2,914	2,217
Accumulated losses		(39,713)	(35,134)
TOTAL EQUITY		67,869	65,470

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital $'000	Accumulated Losses $'000	Reserves $'000	Total Equity $'000
Balance at 1 July 2009	**80,434**	**(25,036)**	**3,282**	**58,680**
Total comprehensive loss				
Loss for the year	-	(10,098)	-	(10,098)
Available-for-sale financial assets revaluation	-	-	(286)	(286)
Total comprehensive loss for the year	-	(10,098)	(286)	(10,384)
Transaction with owners in their capacity as owners				
Issue of share capital –capital raising	12,571	-	-	12,571
Issue of share capital – exercise of options	4,012	-	-	4,012
Share issue costs	(289)	-	-	(289)
Income tax expense reported in equity	160	-	-	160
Option expense – share based payments	-	-	720	720
Total transactions with owners	16,454	-	720	17,174
Transfer from option reserve – option exercise	1,499	-	(1,499)	-
Balance at 30 June 2010	**98,387**	**(35,134)**	**2,217**	**65,470**
Total comprehensive loss				
Loss for the year	-	(5,129)	-	(5,129)
Available-for-sale financial assets revaluation	-	-	836	836
Total comprehensive loss for the year	-	(5,129)	836	(4,293)
Transaction with owners in their capacity as owners				
Issue of share capital – capital raising	6,000	-	-	6,000
Realisation of revaluation reserve on disposal of available-for-sale financial asset	-	550	(550)	-
Share issue costs	(344)	-	-	(344)
Income tax expense reported in equity	177	-	-	177
Option expense – share-based payments	-	-	859	859
Total transactions with owners	5,833	550	309	6,692
Transfer from option reserve – options exercised prior year	448	-	(448)	-
Balance at 30 June 2011	**104,668**	**(39,713)**	**2,914**	**67,869**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

// CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts of refunds of goods and services tax		1,760	1,361
Receipt of R&D tax refund		1,003	-
Payments to suppliers and employees		(7,517)	(6,021)
Interest received		958	1,616
Finance costs		-	(300)
Net cash flows used in operating activities	6a	(3,796)	(3,344)
Cash flows from investing activities			
Purchase of property, plant and equipment		(117)	(265)
Funds provided for exploration and evaluation		(15,897)	(11,644)
Investment/sale of shares		2,135	(1,534)
Net cash flows used in investing activities		(13,879)	(13,443)
Cash flows from financing activities			
Proceeds from Share Issue		6,000	16,583
Capital raising costs		(344)	(292)
Loans provided to controlled entities		-	-
Repayment of convertible notes		-	(3,000)
Net cash flows provided by financing activities		5,656	13,291
Net decrease in cash and cash equivalents held		(12,019)	(3,496)
Effects of exchange rate changes on cash		(19)	(28)
Cash and cash equivalents at beginning of financial year	6	26,975	30,499
Cash and cash equivalents at end of financial year	6	14,937	26,975

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report of Blue Energy Limited and its controlled entities is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on an accrual and historical costs basis, modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report is presented in Australian dollars.

The financial report of Blue Energy Limited and its controlled entities for the financial year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 20 September 2011.

Blue Energy Limited is a company limited by shares, incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Stock Exchange.

The Group has one business activity, being the exploration for gas and petroleum resources. This activity is carried out in a single significant geographical segment, being Australia, principally in Queensland.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Statement of compliance

The financial report of Blue Energy Limited and its controlled entities and Blue Energy Limited as an individual parent entity, complies with International Financial Reporting Standards (IFRS) in their entirety.

2. ACCOUNTING POLICIES

(a) Comparatives

The financial report is for the period 1 July 2010 to 30 June 2011. Comparatives between the 2010 and the 2011 year end balance dates are provided for the Consolidated Entity.

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(b) Basis of consolidation

The consolidated financial report comprises the financial report of Blue Energy Limited and its subsidiaries as at 30 June 2011 (the "Group" or the "Consolidated Entity") (see note 17).

Subsidiaries are all those entities over which the Parent has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial report of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial report all intercompany balances and transactions, including any unrealised profits arising from intra-group transactions, have been eliminated in full.

The subsidiaries were consolidated from the date on which control was transferred to the Group and will cease to be consolidated from the date on which control is transferred out of the Group.

(c) Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets are depreciated on either a straight-line or diminishing value basis over their useful lives commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Furniture and Fittings	30% to 40%
Plant and Equipment	30% to 50%
Computer Software	30% to 40%
Leasehold Improvements	50%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

(d) Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Income tax

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Blue Energy Limited and its wholly-owned Australian subsidiaries have formed a tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax assets and liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the head entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group has notified the Australian Tax Office that it formed an income tax consolidated group to apply from 1 April 2006. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. Blue Energy Limited is the head entity of the tax consolidated group.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. All inventories are being held for application to exploration expenditure.

(g) Revenue

Revenue is messured at the fair value of the consideration received or receivable, net of discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is recognised as the interest accrues to the net carrying amount of the financial asset.

Revenue from the sale of investments is recognised upon being notified of the settlement of the sale.

All revenue is stated net of the amount of goods and services tax (GST).

(h) Issued Capital

Issued Capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

For equity-settled share based payment transactions for goods or services received, excluding employee services, the Consolidated Entity recognises and measures the increase in equity at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the Consolidated Entity measures the value of the goods or services received, by reference to the fair value of the equity instrument granted.

The Company has granted options over shares to employees under an employee share option plan. The fair value of options granted is recognised as an expense with a corresponding increase in equity reserves. The fair value is measured at grant date and spread over the life of the option taking into account the probability of the options vesting. The fair value of options granted is measured using the Binomial pricing model, taking into account the terms and conditions upon which the options were granted.

The Company has ceased to grant options over shares to employees under an employee share option plan and has implemented an Employee incentive rights Plan in its place. The fair value of rights granted is recognised as an expense with a corresponding increase in equity reserves. The fair value is measured at grant date and spread over the life of the right taking into account the probability of the rights vesting. The fair value of rights granted is measured using the Binomial pricing model, taking into account the terms and conditions upon which the rights were granted.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(j) Interest in joint ventures

The Consolidated Entity's interests in joint venture entities are bought to account using the equity method. The parent entity's interests are bought to account using the cost method.

(k) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate of the doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short term deposits with an original maturity of six months or less.

(m) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) Financial instruments

Recognition

Financial assets are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligation exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirements of AASB 139 "Recognition and Measurement of financial assets". Realised and unrealised gains and losses arising from change in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(o) Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for any goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their use or sale.

All other borrowing costs are recognised in income in the period they are incurred.

(q) Employee benefits

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as a separate line item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) Critical accounting judgements and key sources of estimation

Uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience, the best available current information and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Exploration and evaluation assets

The Group's policy for exploration and evaluation is outlined in Note 2(d). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off through the Statement of Comprehensive Income.

Legal disputes

The Consolidated Entity has disclosed a contingent liability in relation to an ongoing legal dispute (Note 24). Management have made certain estimates and assumptions in relation to the cost of these proceedings (Note 14), the recoverability of monies owed by the plaintiff (Note 7) and the likelihood of success. The estimates and assumptions are based upon the best available information, including external legal advice, and may change as new information becomes available. Managements review of any new information may result in the assessment that a provision is warranted, then such provision will be made and expensed through the Statement of Comprehensive Incom

3. REVENUE

	2011 $'000	2010 $'000
(a) Revenue		
Interest received from other persons	917	1,700
	917	1,700
(b) Other Income		
Capital return on investments	50	-
Net foreign exchange gain/(loss)	(31)	(55)
	19	(55)
Total Revenue	936	1,645

4. PROFIT / (LOSS) FOR THE YEAR

	2011 $'000	2010 $'000
(a) Operating & administration expenses		
Employee benefit expenses	1,728	1,701
Legal fees	1,282	1,073
Consultants fees	417	701
Business development costs	150	420
Depreciation expense	314	350
Travel costs	232	282
Directors' fees	275	280
Accounting and compliance fees	341	259
Occupancy costs	302	252
Insurance costs	217	187
Information systems costs	108	161
Communications costs	101	142
Investor relations costs	54	93
Other	175	197
	5,696	6,098
(b) Finance costs		
Interest on convertible notes	-	225
Interest on other loans	-	(7)
Provisions: unwinding of discount	17	12
	17	230
(c) Asset impairment expense		
Exploration expenditure written off	-	5,275
Exploration expenditure written back	(12)	(408)
	(12)	4,867

5. INCOME TAX

	2011 $'000	2010 $'000
a) The components of tax expense comprise:		
Current income tax		
Current income tax charge	(4,163)	(6,304)
Adjustments in respect of current income tax of previous years	(670)	(331)
Deferred income tax		
Relating to origination and reversal of temporary differences	2,791	5,180
Current year tax losses not recognised in the current year	1,547	1,283
Income tax expense / (revenue) reported in statement of comprehensive income	(495)	(172)
b) The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:		
Accounting profit /(loss) before income tax	(5,624)	(10,270)
Prima facie income tax payable on (loss) before income tax at 30% (2010: 30%)	(1,686)	(3,081)
Sundry non-deductible(deductible) expenses	314	1,957
Benefit of tax losses and temporary differences not brought to account	1,547	1,283
Benefit of prior year tax losses brought to account in the current year	(670)	(331)
Income tax expense	(495)	(172)
c) Assets		
Deferred tax assets include:		
Temporary differences, excluding benefits of tax losses, attributable to:		
Provisions	569	683
Accruals	15	11
Business related costs	426	181
Other	304	377
Total deferred tax assets	1,314	1,252
d) Liabilities		
Deferred tax liabilities include:		
Temporary differences attributable to:		
Exploration and evaluation expenditure	13,478	10,536
Property, plant and equipment	145	150
Interest receivable	33	46
Other	-	-
Total deferred tax liabilities	13,656	10,732

5. INCOME TAX (CONTINUED)

	2011 $'000	2010 $'000
e) Gross Movements in deferred tax accounts		
The overall movement in the deferred tax account is as follows:		
Opening Balance	-	-
Equity	(495)	(172)
Charged to statement of comprehensive income	495	172
Closing Balance	-	-
f) Deferred Tax Assets		
Unrecognised Deferred Tax Balances the benefits of which will be realised when conditions in Note 1(e) are realised:		
Unrecognised deferred tax assets - Losses	25,570	21,769
Unrecognised deferred tax assets - Capital Losses	15	15
Unrecognised deferred tax assets - Other	1,314	1,252
Unrecognised deferred tax liabilities	(13,656)	(10,732)
Net unrecognised deferred tax assets	13,243	12,304

There are no franking credits available to shareholders of the Company.

6. CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June 2011:

	2011 $'000	2010 $'000
Cash at bank and in hand	2,170	3,619
Short-term deposits	12,767	23,356
	14,937	26,975

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of up to six months at a time and earn interest at the short-term deposit rate. Effective interest rate on the short-term deposit was 6.16% (2010: 5.68%).

The fair value of cash and cash equivalents of the Group is $14,937,054, (2010: $26,975,408).

6. CASH AND CASH EQUIVALENTS (CONTINUED)

a) Reconciliation of the profit / (loss) after tax to the net cash flows from operations

	2011 $'000	2010 $'000
Profit / (Loss) after income tax	(5,129)	(10,098)
Adjustments for:		
Cash flows excluded from profit/(loss) attributable to operating activities		
Depreciation expense	314	350
Net exchange differences	32	55
Share options expensed	859	720
Asset impairment expense	(12)	4,867
Finance costs – unwinding discount	17	12
Capital return on investments	(50)	-
Changes in assets and liabilities		
(Increase)/decrease in trade debtors and receivables	950	(795)
Increase/(decrease) in trade creditors, accruals & sundry provisions	(981)	1,330
(Decrease)/increase in provision for employee entitlements	27	56
Income tax expense credited to equity	177	159
Net cash used in operating activities	(3,796)	(3,344)

7. TRADE AND OTHER RECEIVABLES

	2011 $'000	2010 $'000
a) Current:		
Goods and services tax receivable	85	508
Research & Development Grant receivable	-	331
Interest receivable	112	152
Rental bonds and deposits	25	27
Other receivables	-	167
	222	1,185
b) Non-current:		
Receivables from Farm-in Partners	451	451
Tenement related performance bonds	133	261
	584	712

Trade receivables are non-interest bearing and are generally on 30-90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No provision has been made for impairment of current or non-current trade receivables for 2011 (2010: nil).

8. INVENTORIES

	2011 $'000	2010 $'000
Current at cost		
Stores & consumables	1,106	1,384
	1,106	1,384

9. FINANCIAL ASSETS

	2011 $'000	2010 $'000
Available-for-sale financial assets:		
a) Current:		
Listed investments at fair value		
Shares in listed corporation[1]	-	1,248
	-	1,248
Total available-for-sale financial assets	-	1,248

[1] The shares in an ASX listed corporation were sold on 27 July 2010 for a net gain of $549,970.

10. PROPERTY, PLANT AND EQUIPMENT

	2011 $'000	2010 $'000
Furniture and fittings at cost	33	33
Less: Accumulated depreciation	(32)	(29)
	1	4
Plant and equipment at cost	950	860
Less: Accumulated depreciation	(541)	(386)
	409	474
Computer software at cost	388	385
Less: Accumulated depreciation	(320)	(225)
	68	160
Leasehold improvements	65	65
Less: Accumulated depreciation	(52)	(20)
	13	45
Net carrying amount	492	683

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in carrying amounts	2011 $'000	2010 $'000
Furniture and fittings at cost		
Carrying amount at the beginning of the year	4	5
Additions	-	3
Disposals	-	-
Depreciation expense	(3)	(4)
Carrying amount at the end of the year	1	4
Plant and equipment at cost		
Carrying amount at the beginning of the year	474	558
Additions	121	115
Disposals	-	(5)
Depreciation expense	(184)	(194)
Carrying amount at the end of the year	409	474
Computer software at cost		
Carrying amount at the beginning of the year	160	217
Additions	3	52
Disposals	-	-
Depreciation expense	(95)	(109)
Carrying amount at the end of the year	68	160
Leasehold improvements at cost		
Carrying amount at the beginning of the year	45	23
Additions	-	65
Disposals	-	-
Depreciation expense	(32)	(43)
Carrying amount at the end of the year	13	45
Total Property, Plant and Equipment		
Carrying amount at the beginning of the year	683	803
Additions	123	235
Disposals	-	(5)
Depreciation expense	(314)	(350)
Carrying amount at the end of the year	492	683

11. EXPLORATION AND EVALUATION EXPENDITURE

The ultimate recoupment of the expenditure on oil and gas interests is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at amounts at least equal to book value.

	2011 $'000	2010 $'000
Exploration and evaluation expenditure acquired and recognised on consolidation	13,648	13,648
Other exploration & evaluation expenditure	53,876	43,914
Restoration asset (Note 14b)	684	842
Less:		
Impairment of exploration & evaluation expenditure asset	(14,550)	(14,562)
Total exploration & evaluation expenditure bought to account	53,658	43,842

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. During 2010 the Company ceased its exploration activity within its four PNG PPL's. The decision was made based on the high level of exploration risk, the deep water and expensive nature of the permits and the unsuccessful application for an additional 14,300km^2 covering inshore waters and onshore acreage to consolidate the potential new oil play identified. The Company relinquished the PPL's and as such wrote down the carrying value of $724,948 at 30 June 2010.

During 2010 the Company was approached by the operator of the Rossco, Paprika, Cadenza and Paranta Joint Ventures and offered a release from further commitments under the farmin agreements. The offer was accepted and the Company no longer has any rights or obligations in respect to the tenements. As such the Company wrote down the carrying value by $4,928,000 to $407,000 (representing inventory still held by the joint venture) at 30 June 2010.

12. TRADE AND OTHER PAYABLES

	2011 $'000	2010 $'000
Current:		
Trade payables[1]	541	5,346
Joint venture payables	359	359
Sundry payables and accrued expenses[2]	276	2,486
Employee cost & expenses payable	227	200
Balance at 30 June 2011	1,403	8,391

[1] Trade payables include amounts payable to key management of $373 at the end of the financial year (2010: $Nil).

[2] Sundry payables and accrued expenses include amounts payable to key management of $5,864 at the end of the financial year (2010: $43,000).

Trade payables are non interest bearing and are normally settled on 30 day terms.

13. BORROWINGS

The Company has no borrowings at 30 June 2011. On 31 March 2010 the Company repaid the outstanding balance of $3,000,000 on the convertible notes previously issued.

14. PROVISIONS

	2011 $'000	2010 $'000
a) Current		
Provision for legal fees[(1)]		
Opening balance at 1 July 2010	1,326	535
Additional provisions recognised	-	1,081
Amounts used	(283)	(290)
Balance at 30 June 2011	1,043	1,326

[(1)] Provisions for legal fees are in relation to claims made against the Company by Odin Energy Limited, for further details refer to contingent liabilities, at Note 24. The 2010 balance also included provision for a claim made by BBY Limited and legal fees in relation to the retrieval of funds held by Mr Dan Kakaraya a Papua New Guinean lawyer, both of which were finalised during the year.

	2011 $'000	2010 $'000
b) Non Current		
Provision for restoration and rehabilitation[(2)]		
Opening balance at 1 July 2010	842	217
Additional provisions recognised	-	613
Unused amounts reversed	(175)	-
Charged to the Statement of Comprehensive Income – unwinding of discount	17	12
Balance at 30 June 2011	684	842

[(2)] Future estimated costs for the restoration and rehabilitation of areas affected by exploration activities.

15. ISSUED CAPITAL

	2011		2010	
	Number of Shares	$'000	Number of Shares	$'000
Ordinary Shares:				
Issued & Fully Paid	722,488,256	104,668	647,488,256	98,387
Movements in ordinary shares on issue:				
Opening balance	647,488,256	98,387	565,700,120	80,434
Issued shares at 18.94 cents per share	-	-	62,855,000	12,571
Issued shares at 8.00 cents per share	75,000,000	6,000	-	-
Issued shares on exercise of options	-	-	18,933,136	4,012
Capital raising costs	-	(344)	-	(289)
Transfer from option reserve on exercise of options	-	448	-	1,499
Income tax expense reported in equity (Capital raising costs)	-	177	-	160
Closing balance	722,488,256	104,668	647,488,256	98,387

Ordinary shares have no par value. There is no limit to the authorised share capital of the Company.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The Company did not pay a dividend during the year ended 30 June 2011, nor has any dividend been proposed up to the reporting date (2010: $Nil). Ordinary shares would participate in dividends and the proceeds on any winding up of the parent entity in proportion to the number of shares held.

From 30 June 2011 to the date of this report no shares have been issued.

Options over shares

During the year no options were issued (2010: 12,910,000). A total 15,833,334 options lapsed (2010: 12,680,364) and no options were exercised during the year (2010: 18,933,136). None of the Options are listed.

From 30 June 2011 to the date of this report no shares have been issued as a result of the exercise of options. A total of 500,000 options over shares have lapsed in this period.

The following table lists the unexpired options at balance date:

2011

Grant Date	Exercise Date	Expiry Date	Exercise Price $	Fair value at Grant Date $	Number of options at beginning of period	Options Granted	Options Lapsed	Options Exercised	Number of options at 30 June 2011	Number of options vested and exercisable at 30 June 2011
30-Mar-07	30-Mar-07	30-Mar-11	0.25	0.08	5,666,667	-	5,666,667	-	-	-
30-Mar-07	30-Mar-07	30-Mar-11	0.30	0.07	5,666,667	-	5,666,667	-	-	-
3-Sep-07	3-Sep-07	2-Sep-10	0.35	0.12	2,000,000	-	2,000,000	-	-	-
Sep-08 Qtr[(a)]	Aug-10	Aug-13	0.25	0.22	1,476,667	-	143,333	-	1,333,334	-
Sep-08 Qtr[(a)]	Sep-10 to Aug-11	Sep-12 to Aug-13	0.25	0.22	1,476,667	-	143,333	-	1,333,334	-
Sep-08 Qtr[(a)]	Sep-11 to Aug-12	Sep-12 to Aug-13	0.25	0.21	1,476,666	-	143,334	-	1,333,332	-
9-Jan-09[(a)]	9-Jan-10	8-Jan-14	0.25	0.13	20,000	-	-	-	20,000	-
9-Jan-09[(a)]	9-Jan-11	8-Jan-14	0.25	0.13	20,000	-	-	-	20,000	-
9-Jan-09[(a)]	9-Jan-12	8-Jan-14	0.25	0.13	20,000	-	-	-	20,000	-
1-May-09[(a)]	1-May-10	30-Apr-14	0.25	0.17	833,333	-	-	-	833,333	-
1-May-09[(a)]	1-May-11	30-Apr-14	0.25	0.17	833,333	-	-	-	833,333	-
1-May-09[(a)]	1-May-12	30-Apr-14	0.25	0.16	833,334	-	-	-	833,334	-
4-Dec-09[(a)]	4-Dec-10	4-Dec-14	0.25	0.12	3,866,666	-	-	-	3,866,666	-
4-Dec-09[(a)]	4-Dec-11	4-Dec-14	0.25	0.12	666,667	-	-	-	666,667	-
4-Dec-09[(a)]	4-Dec-12	4-Dec-14	0.25	0.11	666,667	-	-	-	666,667	-
17-Feb-10	17-Feb-10	17-Feb-13	0.25	0.07	4,000,000	-	-	-	4,000,000	-
12-Mar-10[(a)]	12-Mar-11	11-Mar-15	0.25	0.11	736,663	-	189,999	-	546,664	-
12-Mar-10[(a)]	12-Mar-12	11-Mar-15	0.25	0.10	736,667	-	190,000	-	546,667	-
12-Mar-10[(a)]	12-Mar-13	11-Mar-15	0.25	0.10	736,670	-	190,001	-	546,669	-
10-May-10[(a)]	10-May-11	10-May-15	0.25	0.11	500,000	-	500,000	-	-	-
10-May-10[(a)]	10-May-12	10-May-15	0.25	0.11	500,000	-	500,000	-	-	-
10-May-10[(a)]	10-May-13	10-May-15	0.25	0.10	500,000	-	500,000	-	-	-
					33,233,334	-	15,833,334	-	17,400,000	-
Weighted average exercise price					0.26		0.28		0.25	
Weighted average remaining contract life									898 days	

Total expense recognised $858,706 (2010: $720,432)

No options were granted during the year

Fair value of options lapsed during the year was $1,353,869

No options were exercised during the year

The Options outstanding at 30 June 2011 have an exercise price of $0.25

(a) Options granted under the current Employee Share Option Plan (ESOP)

15. ISSUED CAPITAL (CONTINUED)

2010

Grant Date	Exercise Date	Expiry Date	Exercise Price $	Fair value at Grant Date $	Number of options at beginning of period	Options Granted	Options Lapsed	Options Exercised	Number of options at 30 June 2010	Number of options vested and exercisable at 30 June 2010
17-Feb-06	17-Feb-06	16-Feb-10	0.50	0.04	666,666	-	666,666	-	-	-
17-Feb-06	17-Feb-06	16-Feb-10	0.60	0.03	666,668	-	666,668	-	-	-
30-Mar-07	30-Mar-07	30-Mar-10	0.17	0.08	3,666,666	-	2,466,666	1,200,000	-	-
30-Mar-07	30-Mar-07	30-Mar-11	0.25	0.08	5,666,667	-	-	-	5,666,667	5,666,667
30-Mar-07	30-Mar-07	30-Mar-11	0.30	0.07	5,666,667	-	-	-	5,666,667	5,666,667
18-Jul-07	18-Jul-07	17-Jul-09	0.25	0.19	1,316,864	-	1,316,864	-	-	-
21-Sep-07	21-Sep-07	20-Sep-09	0.25	0.20	4,433,136	-	-	4,433,136	-	-
3-Sep-07	3-Sep-07	2-Sep-09	0.25	0.12	1,700,000	-	900,000	800,000	-	-
3-Sep-07	3-Sep-07	2-Sep-09	0.30	0.10	200,000	-	200,000	-	-	-
3-Sep-07	3-Sep-07	2-Sep-10	0.35	0.12	2,750,000	-	750,000	-	2,000,000	2,000,000
12-Mar-08	12-Mar-09	11-Mar-13	0.25	0.10	3,333,500	-	3,333,500	-		-
Sep-08 Qtr[a]	Aug-10	Aug-13	0.25	0.22	2,270,000	-	793,333	-	1,476,667	-
Sep-08 Qtr[a]	Sep-10 to Aug-11	Sep-12 to Aug-13	0.25	0.22	2,270,000	-	793,333	-	1,476,667	-
Sep-08 Qtr[a]	Sep-11 to Aug-12	Sep-12 to Aug-13	0.25	0.21	2,270,000	-	793,334	-	1,476,666	-
9-Jan-09[a]	9-Jan-10	8-Jan-14	0.25	0.13	20,000	-	-	-	20,000	-
9-Jan-09[a]	9-Jan-11	8-Jan-14	0.25	0.13	20,000	-	-	-	20,000	-
9-Jan-09[a]	9-Jan-12	8-Jan-14	0.25	0.13	20,000	-	-	-	20,000	-
31-Mar-09	1-Apr-09	31-Mar-10	0.20	0.07	12,500,000	-	-	12,500,000	-	-
1-May-09[a]	1-May-10	30-Apr-14	0.25	0.17	833,333	-	-	-	833,333	-
1-May-09[a]	1-May-11	30-Apr-14	0.25	0.17	833,333	-	-	-	833,333	-
1-May-09[a]	1-May-12	30-Apr-14	0.25	0.16	833,334	-	-	-	833,334	-
4-Dec-09[a]	4-Dec-10	4-Dec-14	0.25	0.12	-	3,866,666	-	-	3,866,666	-
4-Dec-09[a]	4-Dec-11	4-Dec-14	0.25	0.12	-	666,667	-	-	666,667	-
4-Dec-09[a]	4-Dec-12	4-Dec-14	0.25	0.11	-	666,667	-	-	666,667	-
17-Feb-10	17-Feb-10	17-Feb-13	0.25	0.07	-	4,000,000	-	-	4,000,000	-
12-Mar-10[a]	12-Mar-11	11-Mar-15	0.25	0.11	-	736,663	-	-	736,663	-
12-Mar-10[a]	12-Mar-12	11-Mar-15	0.25	0.10	-	736,667	-	-	736,667	-
12-Mar-10[a]	12-Mar-13	11-Mar-15	0.25	0.10	-	736,670	-	-	736,670	-
10-May-10[a]	10-May-11	10-May-15	0.25	0.11	-	500,000	-	-	500,000	-
10-May-10[a]	10-May-12	10-May-15	0.25	0.11	-	500,000	-	-	500,000	-
10-May-10[a]	10-May-13	10-May-15	0.25	0.10	-	500,000	-	-	500,000	-
					51,936,834	12,910,000	12,680,364	18,933,136	33,233,334	13,333,334
Weighted average exercise price					0.26	0.25	0.27	0.21	0.26	
Weighted average remaining contract life									898 days	

Total expense recognised $720,432 (2009: $776,223)
Fair value of options granted during the year was $1,307,988
Fair value of options lapsed during the year was $1,540,060
Fair value of options exercised during the year was $1,947,226. 18,933,136 shares were issued on the exercise of options raising $4,012,284
The Options outstanding at 30 June 2010 have an exercise price range of $0.25 to $0.35
[a] Options granted under the current Employee Share Option Plan (ESOP)

The options outstanding at 30 June 2011 have an exercise price of $0.25. These options do not entitle the holder to participate in any share issue of the Company.

Options issued under the Employee Share Option Plan from 12 March 2008 onwards have two vesting conditions. The first of these being an exercise date no earlier than either 1, 2 or 3 years from grant date and secondly the shares of the Company must trade for thirty consecutive days on the Australian Stock Exchange with a weighted average share price greater than certain share price hurdles determined by the Company. All other options vest and are exercisable on grant date up to expiry date.

Rights over shares

During the year the Company issued 9,045,000 employee incentive rights (2010: Nil). A total 161,000 employee incentive rights (2010: Nil) lapsed. No employee incentive rights were exercised during the year (2010: Nil). None of the employee incentive rights are listed.

From 30 June 2011 to the date of this report no shares have been issued. A total of 93,000 employee incentive rights options over shares have lapsed in this period.

The following table lists the unexpired employee incentive rights at reporting date:

2011

Effective Grant Date	Exercise Date	Type of Right	Exercise Price $	Fair value at Grant Date $	Number of Rights at beginning of period	Rights Granted	Rights Lapsed	Rights Exercised	Number of Rights at 30 June 2011
01-Jul 10	30-Jun-12	Retention	nil	$0.135	-	167,000	-	-	167,000
01-Jul 10	30-Jun-13	Retention	nil	$0.135	-	1,399,000	161,000	-	1,238,000
01-Jul 10	30-Jun-12	Performance	nil	$0.095	-	1,333,000	-	-	1,333,000
01-Jul 10	30-Jun-13	Performance	nil	$0.095	-	6,146,000	-	-	6,146,000
					-	9,045,000	161,000	-	8,884,000
Weighted average exercise price – nil									
Weighted average remaining contract life									669 days
Total expense recognised $160,475 (2010: $Nil)									
Fair value of rights granted during the year was $460,958									
Fair value of rights lapsed during the year was $21,735									
Fair value of rights exercised during the year was $Nil. Nil shares were issued on the exercise of rights									
The rights outstanding at 30 June 2011 have nil exercise price									

Incentive rights under the EIRP comprise retention rights and performance rights. For retention rights to vest the employee must remain with the Company until 30 June 2013*. The portion of performance rights that vest is determined by Blue Energy's total shareholder return (TSR) as determined by an independent advisor over the period to 30 June 2013*. The minimum compound annual TSR for the three years is 15% which results in a 25% vesting rate for the employee. At present the Board has determined that the issue of performance rights will be limited to those individuals (Key Management Personnel) who have a direct ability to influence the performance of the Company.

* Following advice from remuneration consultant Godfrey Remuneration Group the Board approved the issue to Mr Owen, the Company CFO and Company Secretary, of an additional tranche of retention and performance rights with a vesting date of 30 June 2012. The advice was based upon Mr Owens' length of service and the time past since the issue of his original options.

The weighted average fair value of employee incentive rights issued during the year was $0.101.

The value of retention rights granted was calculated based upon the maximum number of retention rights issued multiplied by the prevailing share price as at the date of issue.

15. ISSUED CAPITAL (CONTINUED)

The fair value of Performance Rights granted was calculated using the Binomial pricing model utilising the following inputs:

	Note	
Exercise price	1	$0.00
Current Stock Price	2	$0.135
Barrier		$0.49
Exercise Date		30 June 2013
Vesting Period		3 Years
Expected share price volatility	3	90%
Risk free interest rate	4	4.47%
Dividend yield	5	0%

1. In substance, the performance rights is an option with a zero exercise price.
2. The underlying share price is based on the price of the security on the ASX on 30 June 2010.
3. The recent volatility of the share price of Blue Energy was calculated using Hoadley's volatility calculator, using data extracted from Bloomberg.
4. The risk free rate is the Commonwealth Government securities rate with a maturity date approximating that of the expiration period of the options. (Source: Reserve Bank of Australia)
5. The Company's best estimate of dividend yield, representing a discount to long-term dividend policy to reflect build up of dividend payout over the life of the performance rights.

16. RESERVES

Option Reserve

The option reserve is used to recognise the fair value of share options and employee incentive rights granted or issued.

Available-for-sale Financial Assets Reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income as described in Note 1 and accumulated in a separate reserve within equity. Amounts are reclassified to profit and loss when assets are sold or impaired.

	2011 $'000	2010 $'000
Reserves:		
Options Reserve	2,914	2,503
Available-for-sale Financial Assets Reserve	-	(286)
Total Reserves	2,914	2,217

17. CONTROLLED ENTITIES

The consolidated financial report includes the financial reports of Blue Energy Limited and the subsidiaries listed in the following table.

		Percentage Owned %	
Name	State/Country of Incorporation	2011	2010
Blue Energy (Qld) Pty Ltd	New South Wales	100%	100%
Eureka Petroleum Pty Ltd	Queensland	100%	100%
Kompliment Pty Ltd	Western Australia	100%	100%
Everdue Pty Ltd	Western Australia	100%	100%
Energy Investments PNG Pty Ltd	Western Australia	100%	100%
Galilee Pipelines Pty Ltd[1]	Queensland	100%	100%
Unconventional Gas International Pte. Ltd[2]	Singapore	0%	100%
Mardian Pty Ltd	Queensland	100%	100%

1. Blue Energy (QLD) Coal Pty Ltd changed its name to Galilee Pipelines Pty Ltd on 9 July 2009.
2. Unconventional Gas International Pte. Ltd was de-registered on 24 March 2011.

18. INTERESTS IN JOINT VENTURE OPERATIONS

	Joint Venture Partner	Interest 2011	Interest 2010
Spinel Block Joint Venture	Great Artesian Oil and Gas Limited	25%	25%
Burrum CSM Joint Venture	Adelaide Energy Limited	75%	75%

The joint venture interests amount to exploration and evaluation expenditure. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

There are no joint venture assets or liabilities as the respective parties are in the process of earning their relevant interests, therefore joint venture interests have been recognised at cost.

Details of arrangements entered into with farminees

PEL 106 – Spinel Block in South Australia

The Company has paid 100% of the cost of acquiring approximately 340km² of 3D seismic and may earn a 50% interest in the whole of the Block by completing four wells. In May 2007 the Company entered into an agreement to farmout 50% of its farmin rights to Odin Energy Limited. Under that agreement on the reimbursement by Odin of 100% of the Company's 3D seismic survey costs and 50% of each of the four proposed wells Odin will earn a 25% interest in each of the proposed wells and on completion of all four wells will have earned a 25% interest in the whole of the Spinel Block.

The Company may earn up to 50% participating interest in any Petroleum Production Licenses and an aggregate 50% in the whole of the Block on completion of four proposed wells. On the basis that Odin participate in all four wells the Company will have earned a 25% interest in the Spinel Block.

These contractual arrangements are the subject of litigation (See Note 24). The outcome of that litigation may result in the Company relinquishing any interest in the Spinel Block.

18. INTERESTS IN JOINT VENTURE OPERATIONS (CONTINUED)

ATP 613P, 674A, 733A – Maryborough Basin, Queensland

The Company farmed in to the sections of ATP 613P, 674A and 733A in 2006, as a non-operating participant. During 2009 the Company executed an amendment to the farm-in agreement that now sees the Company as the operator of the tenements and outlines an agreed work program for the Company to earn a 75% interest in the entire area covered by the ATP's. Native title negotiations have been conducted during the past year with these negotiations now finalised and the environmental authority has been granted. The grant of the excluded areas of ATP613 as well as application areas ATP674A and ATP733A is now imminent with all necessary steps required for the grant having been completed.

19. COMMITMENTS

(a) Work Programme Commitments

(a)(i) Eight series exploration work obligations

Tenements currently held

The subsidiary companies holding the relevant CSG exploration interests have pledged that certain work programmes will be carried out. These work programmes are as follows:

	2011 $'000	2010 $'000
Exploration expenditure commitments – 100% owned CSG tenements		
Within 1 year [(1)]	16,086	13,821
After 1 year but no more than 5 years	10,675	9,673
More than 5 years	-	-
	26,761	23,494

[(1)] Where expenditure is able to be completed over a period of greater than 1 year, expenditure comments are spread over the allowable time period. As such some expenditure commitments shown as within 1 year may be deferred with no penalty.

(a)(ii) Six series exploration work obligations

The subsidiary company has applied for the relevant oil and gas exploration interests and upon granting will pledge that certain work programmes will be carried out. These work programmes are expected as follows:

	2011 $'000	2010 $'000
Exploration expenditure commitments – 100% owned conventional oil & gas tenements*		
Within 1 year	538	571
After 1 year but no more than 5 years	15,175	15,175
More than 5 years	-	-
	15,713	15,746

* Timing subject to award of Permits

(a)(iii) Farmed-in Joint Venture Oil and Gas Interests

The following table provides for the possible programme costs under the terms of the relevant agreements made by the relevant subsidiary with the joint venture participants.

	2011 $'000	2010 $'000
Spinel Block:		
Within 1 year	-	-
After 1 year but no more than 5 years	-	-
More than 5 years	-	-
	-	-
Burrum CSM JV *		
Within 1 year	1,000	1,000
After 1 year but no more than 5 years	6,000	6,000
More than 5 years	-	-
	7,000	7,000
Total Commitments	7,000	7,000

* Timing subject to award of Permits

19. COMMITMENTS (CONTINUED)

(b) Operating Lease Commitments

The Consolidated Entity leases office premises and car parking under non-cancellable operating leases. The leases terminate on 28 March 2014 and have escalation clauses of 5% per annum. There are no renewal rights on the leases.

	2011 $'000	2010 $'000
Within 1 year	260	238
After 1 year but no more than 5 years	481	712
More than 5 years	-	-
	741	950

20. RELATED PARTY DISCLOSURE

During the financial year the following related party transactions occurred:

Key Management Personnel

	2011 $'000	2010 $'000
Director or Consulting fees were paid to or accrued by the following and are related party transactions:		
Tripenta Energy Solutions – an entity associated with Paul Massarotto (Director of Blue Energy Limited - February 2009 to present)	65	57
ASEAN Corporate Services Pty Ltd – a company associated with Brian McGillivray (Director of Blue Energy Limited - October 2006 to September 2009)	-	25
Energy Force Pty Ltd – a company associated with Peter Flanagan (Director of Blue Energy Limited - February 2009 to November 2009)	-	16
KOGAS Australia Pty Ltd – a company associated with Heung-Bog Lee (Director of Blue Energy Limited – October 2009 to present)	60	38

Other than disclosed above or the disclosed loans to subsidiaries there have been no other transactions with related parties during the year.

The ultimate parent

The ultimate parent entity is Blue Energy Limited.

Subsidiaries

Blue Energy Limited provides funding for the subsidiaries to continue to develop their respective oil and gas exploration and evaluation activities.

Terms and conditions of transactions with related parties.

Transactions with related parties are made in arms length transactions both at normal market prices and on commercial terms.

21. KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel Compensation

Key Management Personnel compensation included in employee benefits is as follows:

	2011 $'000	2010 $'000
Short term employee benefits	1,294	1,266
Post employment benefits	94	96
Termination benefits	-	-
Share-based payments	422	136
	1,810	1,498

Details of key management persons and remuneration policies are included in the Directors' Report.

(b) Number of options/incentive rights held by Key Management Personnel at the reporting date

The movement in the number of options/incentive rights over ordinary shares in Blue Energy Limited held, directly, indirectly or beneficially, by each Key Management Personnel, including their related parties, is as follows:

2011	Balance at 30 June 2010	Granted as Compensation	Expired	Balance at 30 June 2011	Vested and Exercisable at 30 June 2011
	Number	Number	Number	Number	Number
Directors					
P Cockcroft	4,000,000	-	-	4,000,000	-
J Phillips	2,500,000	3,467,000	-	5,967,000	-
P Massarotto	1,200,000	-	-	1,200,000	-
Total	7,700,000	3,467,000	-	11,167,000	-
Executives					
S Owen	1,500,000	3,180,000	-	4,680,000	-
C Hefner	1,500,000	1,635,000	1,500,000	1,635,000	-
Total	3,000,000	4,815,000	1,500,000	6,315,000	-

21. KEY MANAGEMENT PERSONNEL (CONTINUED)

2010	Balance at 30 June 2009	Granted as Compensation	Expired	Balance at 30 June 2010	Vested and Exercisable at 30 June 2010
	Number	Number	Number	Number	Number
Directors					
P Cockcroft	-	4,000,000	-	4,000,000	-
J Phillips	2,500,000	-	-	2,500,000	-
P Massarotto	-	1,200,000	-	1,200,000	-
Total	2,500,000	5,200,000	-	7,700,000	-
Executives					
S Owen	1,500,000	-	-	1,500,000	-
C Hefner	-	1,500,000	-	1,500,000	-
Total	1,500,000	1,500,000	-	3,000,000	-

The fair value of options/incentive rights is provided in the Remuneration Report section of the Directors' Report and in Note 15.

(c) Shareholdings of Key Management Personnel at the reporting date

The movement during the year in the number of ordinary shares in Blue Energy Limited held, directly, indirectly or beneficially, by each Key Management Personnel, including their related parties, is as follows:

2011	Balance at 30 June 2010	Granted as Compensation	On exercise of Options	Net Change Other	Balance at 30 June 2011
	Number	Number	Number	Number	Number
Directors					
P Cockcroft	149,178	-	-	-	149,178
J Phillips	54,799	-	-	-	54,799
P Massarotto	700,000	-	-	790,000	1,490,000
Total	903,977	-	-	790,000	1,693,977
Executives					
S Owen	126,198	-	-	90,000	216,198
C Hefner	-	-	-	83,000	83,000
Total	126,198	-	-	173,000	299,198

2010	Balance at 30 June 2009	Granted as Compensation	On exercise of Options	Net Change Other	Balance at 30 June 2010
	Number	Number	Number	Number	Number
Directors					
P Cockcroft	149,178	-	-	-	149,178
J Phillips	54,799	-	-	-	54,799
P Massarotto	432,000	-	-	268,000	700,000
Total	635,975	-	-	268,000	903,975
Executives					
S Owen	81,198	-	-	45,000	126,198
C Hefner	-	-	-	-	-
Total	81,198	-	-	45,000	126,198

There were no other transactions with Key Management Personnel during the year.

(d) Loans to Key Management Personnel

No loans have been made by the parent or any subsidiary company to any Key Management Personnel during the period or to the date of this report.

22. AUDITOR'S REMUNERATION

	2011 $'000	2010 $'000
Remuneration of the auditor of the parent and Consolidated Entity for:		
- auditing the year-end financial report	34	24
- review of mid-year financial report	16	13
- other non-audit services	-	-
Total	50	37

23. EARNINGS PER SHARE

Basic earnings per share amount is calculated by dividing net profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income / (loss) and share data used in the basic earnings per share computations:

	2011 $'000	2010 $'000
Net profit / (loss) attributable to ordinary equity holders of the parent	(5,129)	(10,098)
Weighted average number of ordinary shares for basic earnings per share	665,365	631,784
Weighted average number of ordinary shares for diluted earnings per share	665,365	633,536

17,400,000 (2010: 33,233,334) options and 8,884,000 (2010: Nil) incentive rights outstanding at balance date have not been included in the computation of diluted earnings per share as this result is anti-dilutive in nature.

Since the reporting date the Company has not issued any ordinary shares of the Company.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of this financial report.

24. CONTINGENT ASSETS AND LIABILITIES

In November 2008 Odin Energy Limited (Odin) purported to have terminated the Spinel Block Farmin Agreement with the Company and launched legal proceedings to recover $4.5 million from Blue Energy which Odin had contributed to the joint venture, plus interest and costs. Blue Energy is confident of defending the proceedings and therefore has not recognised a liability at 30 June 2011.

The Directors are not aware of any other material contingent liabilities or contingent assets at 30 June 2011, not otherwise disclosed in this report.

25. SEGMENT REPORTING

The Company operates in a single business segment, being the exploration for gas and petroleum resources. This activity is carried out in a single significant geographical segment, being Australia, principally in Queensland, which is consistent with reporting to key decision makers.

26. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial position of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

(a)(i) Financial Risk Exposures and Management

The main risks the Consolidated Entity is exposed to through its financial instruments is interest rate risk, liquidity risk and credit risk.

Interest Rate Risk

The following table sets out the carrying amount of the Consolidated Entity's financial instruments that are exposed to interest rate risk:

2011	Weighted Average Interest Rate	Fixed Interest Rate $'000	Floating Interest Rate $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets					
Cash at bank and in hand	4.61%	-	2,170	-	2,170
Short-term deposits	6.16%	12,767	-	-	12,767
Trade and other receivables	-	-	-	673	673
Total		12,767	2,170	673	15,610
Financial Liabilities					
Trade and other payables	-	-	-	1,044	1,044
Joint venture commitments	-	-	-	359	359
Total	-	-	-	1,403	1,403

2010	Weighted Average Interest Rate	Fixed Interest Rate $'000	Floating Interest Rate $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets					
Cash at bank and in hand	4.25%	-	3,619	-	3,619
Short-term deposits	5.68%	23,356	-	-	23,356
Trade and other receivables	-	-	-	1,636	1,636
Total		23,356	3,619	1,636	28,611
Financial Liabilities					
Trade and other payables	-	-	-	8,032	8,032
Joint venture commitments	-	-	-	359	359
Total	-	-	-	8,391	8,391

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year.

Liquidity Risk

The group and parent entity manages liquidity risk by monitoring and managing forecast cash flows.

Credit Risk

At balance date the maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial report.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a)(ii) Capital Management

The Consolidated Entity maintains a system of controls which provide for continual monitoring of future cash flow requirements, allowing it to put in place appropriate facilities to ensure that sufficient funds are available to fund the Company's activities in the short to medium term.

The Consolidated Entity's underlying objectives with respect to managing capital are to safeguard their ability to continue as a going concern to enable the Company to operate to increase shareholder value. While the Company's activities comprise mainly exploration and appraisal operations, funding through equity, rather than debt, is considered to be the most appropriate capital structure.

There were no changes to the Consolidated Entity's approach to capital management or the financial risk management policies during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(a)(iii) Price Risk

There is no price risk exposure as at 30 June 2011. For the year ended 30 June 2010 the Consolidated Entity was exposed to equity securities price risk. This arose from investments held by the Consolidated Entity and classified in the statement of financial position as available-for-sale financial assets. Equity investments are held for strategic rather than trading purposes. The Group did not actively trade these investments.

The sensitivity analyses below were determined based on the exposure to equity price risks at 30 June 2010.

If equity prices had been 5% higher/lower:

- Net loss for the year ended 30 June 2010 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired; and
- Equity reserves would increase/decrease by $62,381 as a result of the changes in fair value of available-for-sale financial assets.

(b) Financial Instruments

(b)(i) Financial Instrument Composition and Maturity Analysis

The following tables reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. (As such, the amounts may not reconcile to the statement of financial position).

Trade debtors are non-interest bearing and are generally on 30 to 60 day terms. No provision for impairment loss has been recognised on trade debtors at balance date as management are satisfied that payment will be received in full.

The ageing analysis of trade and other receivables is as follows:

	Note	2011 $'000	2010 $'000
The ageing analysis of trade and other receivables is as follows:			
0 – 30 days		222	659
31 – 60 days		-	331
61 – 90 days *		-	-
91 days + *		451	907
Trade and other receivables	7a	673	1,897

* Considered past due but not impaired

Trade and other payables are expected to be paid as follows:

	Note	2011 $'000	2010 $'000
Trade and other payables are expected to be paid as follows:			
Less than 6 months	12	1,403	8,391
6 months to 1 year		-	-
Current trade and other payables		1,403	8,391

(b)(ii) Net Fair Values

Net fair values of financial assets and liabilities are materially in line with carrying values at 30 June 2011.

(b)(iii) Interest Rate Sensitivity Analysis

The Consolidated Entity has performed a sensitivity analysis relating to exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant are estimated as follows:

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2011 $'000	2010 $'000
Change in profit / (loss)		
- Increase in interest rate by 2%	299	540
- Decrease in interest rate by 2%	(299)	(540)
Change in equity		
- Increase in interest rate by 2%	299	540
- Decrease in interest rate by 2%	(299)	(540)

27. EVENTS SUBSEQUENT TO REPORTING DATE

The Monslatt 9 combination core and pilot production well commenced drilling on 26 August 2011. The well is located in the southern part of the Monslatt Block of ATP814P and is designed to establish the production potential of the Moranbah Coal Measures in this part of the block through the acquisition of core data.

28. CHANGE IN ACCOUNTING POLICIES

Certain new accounting Standards and Interpretations have been published that are not mandatory for 30 June 2011 reporting periods. As at balance date, the following Standards and Interpretations had been issued/revised but were not yet effective:

Title	Issue Date	Operative Date
AASB 9: Financial Instruments	December 2009	1 January 2013
AASB 10: Consolidated Financial Statements	August 2011	1 January 2013
AASB 11: Joint Arrangements	August 2011	1 January 2013
AASB 12: Disclosure of Interests in Other Entities	August 2011	1 January 2013
AASB 1053: Application of Tiers of Australian Accounting Standards	June 2010	1 July 2013
AASB 1054: Australian Additional Disclosures	May 2011	1 July 2011
AASB 124: Related Party Disclosures	October 2009	1 January 2011

It is anticipated that the above Standards and Interpretations are either not applicable to the Company or that adoption in future periods will have no material impact on the Company's financial report, with the possible exception of AASB 11 and AASB 12. AASB 11 may need to be adopted (replacing AASB 131) if any joint venture arrangements are entered into in the future. AASB 12 may require Blue Energy to make additional disclosures in respect of interests in other entities. Blue Energy is currently evaluating the potential impact of these new accounting standards and a closer assessment will be performed prior to the effective dates of these standards.

The following accounting standards or revisions of them came into effect during the 30 June 2011 reporting period, but had no effect on the presentation of the accounts:

Title
AASB 2: Share-based Payments
AASB 3: Business Combinations
AASB 132: Financial Instruments: Presentation

29. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial report for the parent entity shows the following aggregate amounts:

	2011 $'000	2010 $'000
Statement of Financial Position		
Current assets	15,874	28,738
Total assets	69,347	74,823
Current liabilities	2,027	9,265
Total liabilities	2,027	9,265
Shareholders' equity		
Issued capital	104,668	98,387
Reserves	2,913	2,503
Accumulated losses	(40,262)	(35,332)
	67,320	65,558
Profit or loss for the year	(4,930)	(11,049)
Total comprehensive loss for the year	(4,930)	(11,049)

(b) Guarantees entered into by the parent entity

There are no parent entity guarantees (2010: $Nil).

(c) Contingent liabilities of the parent entity

See Note 24.

(d) Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2011, the parent entity had no contractual commitments for the acquisition of property, plant and equipment (30 June 2010: $Nil).

30. COMPANY DETAILS

REGISTERED OFFICE
Level 3
410 Queen Street
Brisbane QLD 4000

PRINCIPAL PLACE OF BUSINESS
Level 3
410 Queen Street
Brisbane QLD 4000

// DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial report and notes, as set out on pages 59 to 95, are in accordance with the *Corporations Act 2001*, and:

   a. comply with Australian Accounting Standards, International Financial Reporting Standards (as stated in Note 1) and *Corporations Regulations 2001*; and

   b. give a true and fair view of the Company and Consolidated Entity's financial position as at 30 June 2011 and of their performance for the year ended on that date.

2. the Chief Executive Officer and Chief Financial Officer have each declared in accordance with the S295A of the *Corporations Act 2001*,that;

   a. the financial records of the company for the financial year ended 30 June 2011 have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   b. the financial report and the accompanying notes referred to in Section 295(3)(b) of the *Corporations Act 2001*, for the financial year complies with the Accounting Standards;

   c. the financial report and notes for the financial year give a true and fair view; and

   d. any other matters that are prescribed by the regulations for the purposes of this paragraph in relation to the financial report and the notes for the financial year are satisfied.

3. in the Directors' opinion there are reasonable grounds to believe that the Company and Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

John Phillips
Chief Executive Officer
and Managing Director

Dated this 27th day of September 2011

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Member Crowe Horwath International

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A WHK Group Firm

Independent Auditor's Report

To the members of Blue Energy Limited

Report on the Financial Statements

We have audited the accompanying financial report of Blue Energy Ltd, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Statements

The directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial a report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*..

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Liability Limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Opinion
In our opinion:

a. the financial report of Blue Energy Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of it's performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Remuneration Report
We have audited the Remuneration Report included in pages 43 to 51 of the directors' report for the year ended
30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion
In our opinion, the Remuneration Report of Blue Energy Ltd for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Crowe Horwath Brisbane

Crowe Horwath Brisbane

Vanessa de Waal
Partner

Signed at Brisbane, 27 September 2011

// ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the ASX Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2011.

(a) Distribution of Equity Securities

Ordinary Share Capital

There are 722,488,256 fully paid ordinary shares, held by 5,671 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of holders of ordinary shares by range is:

	Ordinary Shares		Unlisted Options		Unlisted Rightst	
Range	Total holders	Units	Total holders	Units	Total holders	Units
1 - 1,000	219	36,477				
1,001 - 5,000	958	3,324,641				
5,001 - 10,000	891	7,712,296				
10,001 - 100,000	2,920	114,810,991	2	200,000	2	119,000
100,001 - 9,999,999,999	683	596,603,851	9	16,700,000	9	8,672,000
Total	**5,671**	**722,488,256**	**11**	**16,900,000**	**11**	**8,791,000**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.11 per unit	4,546	927	2,124,395

b) Substantial Shareholders

Name	Units	% of Units
ANZ NOMINEES LIMITED <PRIMEBROKER-PSL NO3 HLDG A/C>	113,604,417	15.72
STANWELL CORPORATION LIMITED	87,359,198	12.09
KOGAS AUSTRALIA PTY LTD	62,855,000	8.70
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	54,237,934	7.51
Total	**318,056,549**	**44.02**

// ADDITIONAL SHAREHOLDER INFORMATION

(c) Twenty Largest Holders of Quoted Equity Securities

Name	Units	% of Units
ANZ NOMINEES LIMITED <PRIMEBROKER-PSL NO3 HLDG A/C>	113,604,417	15.72
STANWELL CORPORATION LIMITED	87,359,198	12.09
KOGAS AUSTRALIA PTY LTD	62,855,000	8.70
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	54,237,934	7.51
ASPAC MINING LIMITED	20,275,198	2.81
J P MORGAN NOMINEES AUSTRALIA LIMITED	15,600,000	2.16
JASMAH INVESTMENTS PTY LTD <JASMAH INVESTMENT A/C>	9,506,028	1.32
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EY A/C>	7,199,038	1.00
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	5,268,550	0.73
NATIONAL NOMINEES LIMITED	4,301,222	0.60
CHLONE PTY LIMITED	4,004,198	0.55
MR PAUL FREDERICK BENNETT	3,764,000	0.52
WILLIAM TAYLOR NOMINEES PTY LTD	2,711,455	0.38
INVIA CUSTODIAN PTY LIMITED <KENNEDY SUPER FUND A/C>	2,600,000	0.36
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,544,552	0.35
JEACH PTY LTD <THE PIPPI SUPER FUND A/C>	2,500,000	0.35
VANDYSON PTY LTD	2,210,248	0.31
CRESTWELL INVESTMENTS PTY LTD <BRUCE WATT SUPER FUND A/C>	2,100,000	0.29
FORTY TRADERS LIMITED	2,079,198	0.29
MRS MYFANWY ANN JONES	2,039,000	0.28
Total	**406,759,236**	**56.30**

(d) Voting Rights

Ordinary shares carry one vote per share and carry the rights to dividends.

Options and rights have no voting rights or rights to dividends.

// OUR CORPORATE DIRECTORY

BLUE ENERGY LIMITED

ACN 054 800 378

DirectorS

Peter Cockcroft	(Chairman)
John Phillips	(Managing Director)
Paul Massarotto	(Non-Executive Director)
Heung-Bog Lee	(Non-Executive Director)

COMPANY SECRETARY
Stuart Owen

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117 Victoria Street
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AUDITORS
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Level 16, 120 Edward Street
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STOCK EXCHANGE
ASX Limited
Riverside Centre
Level 5, 123 Eagle Street
Brisbane QLD 4000

Trading code
Ordinary shares: BUL

blueenergy
limited