

25 January 2012

ASX ANNOUNCEMENT

Reserves Upgrade for ATP814P

Blue Energy Limited (ASX: BUL) is pleased to provide the following update to the market.

ATP814P – Bowen Basin (100% Blue Energy)

As a direct result of data obtained from the Sapphire 4 well, drilled in November 2011, Netherland, Sewell and Associates (NSAI) has issued an upgrade of reserves for the Sapphire Block in ATP814P. The 3P reserves in the Sapphire Block have now increased to 75 PJ. Contingent Resources (3C recoverable) have also increased to 326 PJ as a result of the Sapphire 4 well.

The Sapphire 4 core/pilot test well intersected thick Fort Cooper Coal Measure and Rangal Coal Measure seams at depths shallower than 600 metres which, as a result, has extended the 3P reserve area attributed by NSAI. Gas flow was also recorded from the Fort Cooper Coal Measures in the well on open-hole drill stem test (DST) at the time of drilling. A successful pilot production test of the Sapphire 4 well will further increase the reserves in the Fort Cooper Coal Measure section. Production testing of the well is anticipated to be undertaken in the second quarter of 2012.

Table 1: Blue Energy Reserve and Resource Estimates by NSAI

Permit/Basin/Block	3P Reserves	3C Contingent Resource
	Recoverable	Recoverable
ATP814P – Bowen Basin - Sapphire	75PJ	326PJ
ATP814P – Bowen Basin - Monslatt		1,451PJ
ATP814P – Bowen Basin – Central		457PJ
ATP813P – Galilee Basin		554PJ
Total Blue Energy Resource Base	75PJ	2,788PJ

The continued growth of reserves in this block (Sapphire Block) will be targeted at servicing the potential 6 – 10PJ per annum gas supply arrangement, foreshadowed in the announcement to the market on 24 May 2011.

Competent Person Statement

The estimates of 3P reserves and Contingent Resources for ATP814P and ATP 813P have been provided by Mr John Hattner of Netherland, Sewell and Associates Inc. Mr Hattner is a full time employee of NSAI, has over 30 years of industry experience and 20 years experience in reserve estimation, is a licensed geologist, and has consented to the use of the information presented in the assessment. The estimates in the report by Mr Hattner have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum and Resource Management System (PRMS) approved by the Society of Petroleum Engineers (SPE).

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Figure 1 – Location Map

