

16 February 2012



ASX ANNOUNCEMENT

John Ellice-Flint to join Blue Energy as Executive Director

The Directors of Blue Energy Limited (ASX: "BUL") are pleased to announce the following key developments in the Company's continuing emergence as a significant participant in Australia's coal seam gas industry.

- **Mr John Ellice-Flint has agreed to join the company as an Executive Director**
- **Blue has secured \$10 million in funding through a share placement with professional and sophisticated investors**
- **Share Purchase Plan offer to all Blue Energy general shareholders to be offered at the same price offered to investors under the share placement**

The above appointment and the new funding details are subject to the Company obtaining a number of shareholder approvals at an extraordinary general meeting, including approvals to appoint Mr Ellice-Flint as a director and approval for his proposed remuneration and incentive package. The approval by shareholders of all resolutions in regard to these items will be required before either the appointment of Mr Ellice-Flint or the placement can proceed. The Company will, shortly, dispatch a notice of meeting to shareholders, including full details of the required approvals. The meeting to consider these approvals is anticipated to be held as soon as practicable.

John Ellice-Flint agrees to join Blue Energy

Mr Ellice-Flint, a highly-credentialed senior executive across the global oil and gas industry with such companies as Unocal and Santos, has accepted an invitation by Blue Energy's Board to join the Company as a Director with an Executive capacity.

Mr Ellice-Flint's role will include technical oversight of exploration activity in Blue Energy's existing portfolio of Queensland assets, pursuit of new venture growth opportunities, and also to build the current reserve base to a level consistent with the Company's stated vision of having 3,000PJ of 3P reserves by year end 2014.

Blue Energy Chairman, Mr Peter Cockcroft, said Mr Ellice-Flint's appointment as an Executive Director would be a coup for the Company at a critical time in its ongoing development phase.

"With a proven track record in oil and gas discoveries in several countries, John will bring a new dimension to Blue Energy's strategic focus," Mr Cockcroft said.

"His ability to construct and execute deals will assist in achieving our goal of seeing the Company's portfolio value increase in the short and medium term and, on behalf of my fellow Directors, I look forward to welcoming John as a Director," he said.

Mr Ellice-Flint's achievements in the oil and gas industry are well known and highly respected. Following a stellar 26-year international career with Unocal, serving in a variety of senior executive roles within strategic planning, exploration and technology functions, he joined Santos Limited as Managing Director, guiding the company through a major growth period which culminated in the recognition and of the potential of Coal Seam Gas development through the Gladstone LNG export project in Queensland.

As the architect of the world-first, CSG to LNG breakthrough when at Santos, Mr Ellice-Flint was forceful in driving his vision for the massive eastern Australian projects against plans for gas to be piped from gas-rich Western Australia to the gas-poor eastern states or bringing gas from PNG to Australia. The financial growth Mr Ellice-Flint delivered to Santos in this period is well documented and he was instrumental in transforming the Australian company from a domestic market-focused producer to an entity which now has significant production outside its legacy assets and is focussing on delivering energy to the international market.

If appointed as a Director, Mr Ellice-Flint's base salary will be \$200,000pa plus statutory superannuation as Executive Director together with the issue of 41,236,500 ordinary shares at sign on for a nil issue price. These shares will be subject to escrow for 12 months after his appointment and will be subject to forfeiture if Mr Ellice-Flint resigns or is dismissed for cause within that 12 month period. An incentive package based on Reserve targets and market capitalisation milestones is also included in his remuneration.

Specifically

3P Reserve target:	Issue of 20,618,250 options at a strike price of 6.25 cents
2P Reserve target:	Issue of 20,618,250 options at a strike price of 6.25 cents
Market Capitalisation target:	Issue of 41,236,500 options at a strike price of 6.25 cents

As set out above, Mr Ellice-Flint's appointment and remuneration package will be the subject to the approval of Blue Energy shareholders at an Extraordinary General Meeting, which the Company anticipates will be held as soon as practicable.

Blue secures \$10 million funding through placement

Blue Energy has successfully negotiated the placement of 160,000,000 million ordinary shares at an issue price of 6.25 cents per share to professional and sophisticated investors. This represents a 20% discount to the five-day VWAP and will raise \$10 million for the Company to execute programs in its Sapphire and Monslatt Blocks of ATP814P in Queensland, and given sufficient funds, targeted activities on other Blue Energy permits. The Sapphire and Monslatt Block programs are expected to deliver up to 1,500PJ of 3P reserves and up to 800PJ of 2P reserves, with successful production test results from the wells in these blocks.

The placement is subject to shareholders approving the appointment of Mr Ellice-Flint as a director and approving the terms of his remuneration and incentive package described above at an extraordinary general meeting.

Blue also intends to seek shareholder approval under ASX Listing Rule 7.1 for the issue of these shares to the relevant investors. Mr Ellice-Flint, or his associated entities, will also participate in this Placement and Blue intends to seek shareholder approval under ASX Listing Rule 10.11 for the issue of these shares to Mr Ellice-Flint or his associated entities. The capital raising will also be subject to shareholder approval at an Extraordinary General Meeting to be convened at the earliest opportunity.

General shareholder Issue

In conjunction with the Placement referred to above, a Share Purchase Plan (SPP) will be made available to eligible existing shareholders. Shareholders with Australian and New Zealand registered addresses will have the opportunity to apply for up to \$15,000 of new fully paid ordinary shares. The Issue Price for each Blue Energy Share under the SPP will be 6.25 cents, the same price as the Placement, being a 20% discount to the volume weighted average price of Blue Energy shares over the last five ASX trading days up to the record date of 15 February 2012. The SPP will be underwritten by Intersuisse Limited to an amount of \$4 million.

The provisional timetable for the SPP is:

Event	Date
Record Date	15 February 2012
Despatch of Share Purchase Plan offer	28 February 2012
Opening Date	2 March 2012
Closing Date	30 March 2012
Allotment Date	6 April 2012
Dispatch Date	10 April 2012
ASX Quotation	11 April 2012

Shareholders registered as Blue Energy shareholders at 5:00pm on Record Date with a registered address in Australia or New Zealand are eligible to apply to participate in the SPP.

A further announcement regarding the SPP with full details will be made to the market in due course.

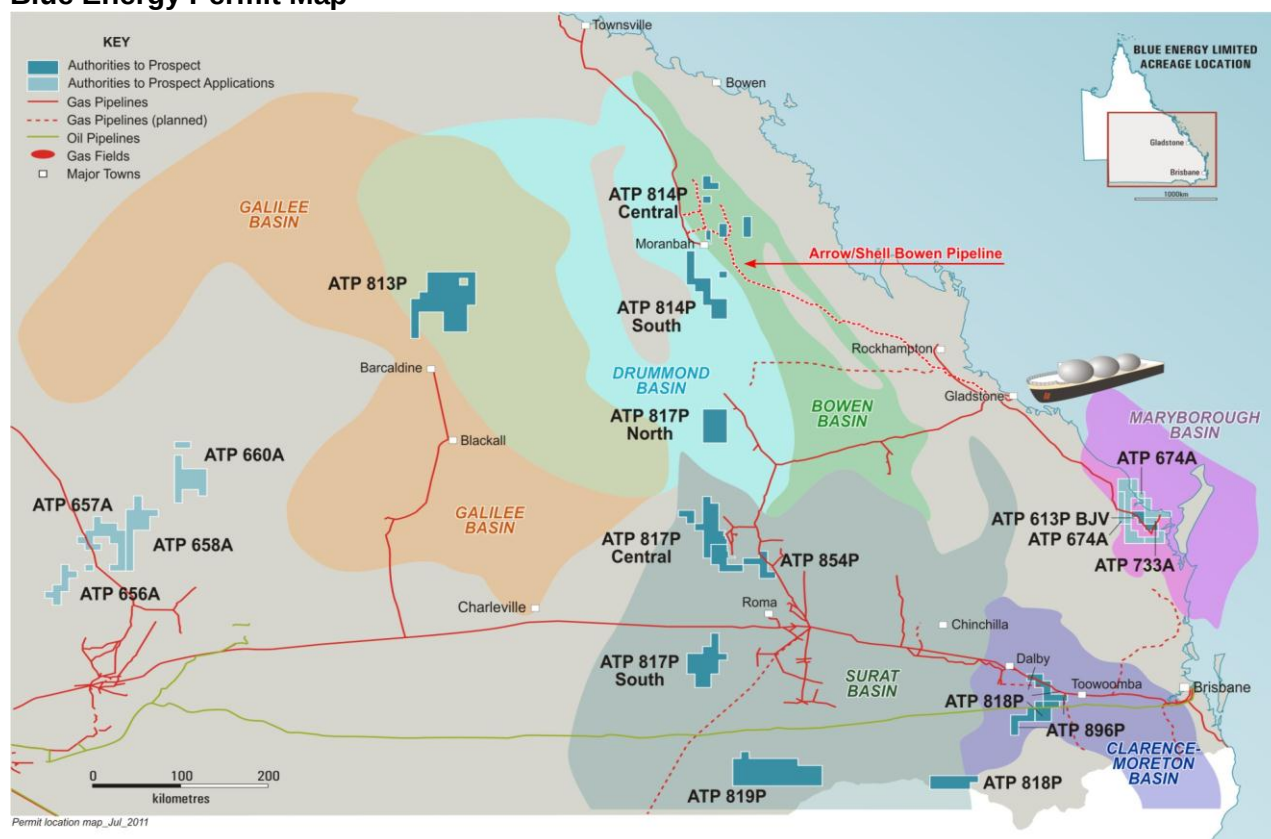
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Blue Energy Permit Map



High Priority ATP814P

