

6 August 2013



ASX ANNOUNCEMENT

Blue Energy expands with farm-in to vast Northern Territory acreage position

Blue Energy Limited (ASX: BUL) is pleased to advise that it has entered into a binding term sheet with Australian Oil and Gas Limited ("AOG") in relation to nine large exploration blocks in the Wiso Basin in the Northern Territory (see Figure 1).

The proposed farm-in agreement – to be undertaken by a Blue Energy wholly-owned subsidiary – involves a total area of 111,887 square kilometres (27.6 million acres) of the Northern Territory (NT), an area approximately equivalent to the size of England.

Key Points:

- 111,887km² (27.6 million acres) in area with conventional and unconventional oil and gas potential over 9 contiguous blocks
- Dominant basin position
- 3 Stage farm-in agreement
- 50% equity on completion of farm-in work program
- Blue Energy to become operator at commencement of farm-in

Blue Energy's Chairman, Mr John Ellice-Flint, said "securing such a large dominant basin acreage position at this early stage of exploration in the Wiso Basin positions the Company ideally to take advantage of the high demand by global energy players for unconventional hydrocarbon acreage. The relatively shallow nature of the potential marine Cambrian source rock sequence in the Wiso Basin, suggests that it would still be in the liquids maturation window and thus not a high cost deep drilling target as other shale targets elsewhere in the world can be."

"Significantly, we note the widening attention and interest the Northern Territory sedimentary basins are receiving from domestic and international oil companies. Statoil, Santos, Central Petroleum, Total, Pangaea and Armour Energy are among a list of companies with adjacent active acreage to Blue Energy's new Wiso Basin permits," Mr Ellice-Flint said.

"We expect the entry into Australia of the large multinational oil and gas companies seeking unconventional exploration acreage will continue, especially given Australia's favourable fiscal regime, the large acreage positions available and the demonstrated prospectivity of the large under-explored sedimentary basins that this nation possesses," he said.

"Our entry into the Northern Territory oil and gas space with such massive acreage is a further timely boost to Blue Energy's already significant licence areas in Queensland, and further de-risks the existing portfolio by expanding into an oil prone and proactive jurisdiction like the Northern Territory. The envisaged future economic development of Northern Australia would be significantly assisted by the discovery of local energy sources. The Wiso Basin exploration effort will be an important step in establishing potential new energy sources in the north" Mr Ellice-Flint said.

Under the terms of the farm-in Blue Energy will make an upfront cash payment to cover back costs incurred by AOG and fund the 3 stage work program to earn a 50% equity position in the permits.

- Payment of back costs
 - Working Interest 10%
- Stage 1 – Geological and Geophysical studies, aeromagnetic and gravity surveys
 - Working Interest 20%
- Stage 2 – Seismic acquisition and interpretation
 - Working Interest 40%
- Stage 3 – Additional seismic acquisition and interpretation
 - Working Interest 50%

The cost of the farm-in in the first 2 years (from award of the permits) is estimated at \$3 million. Following completion of the farm-in work program the parties will jointly explore the option to drill exploration wells within the permits Blue Energy and AOG are able to farm down jointly or separately at any point during the 5 year farm-in term and are open to investigating a farm down to a third party.

The Wiso Basin, located northeast of Alice Springs in the central Northern Territory, is relatively unexplored with, minimal exploration and stratigraphic drilling conducted in the basin margins.

Mr Ellice-Flint said “the Wiso Basin data that does exist demonstrates there to be a Cambrian aged sequence present which is likely to contain widespread marine source rock potential similar to that identified in the adjacent Georgina Basin.

In addition, the underlying potential Proterozoic sequence has been shown to be hydrocarbon productive in the McArthur Basin and could hold significant hydrocarbon potential in the Wiso Basin,” he said.

The staged work program undertaken by Blue Energy will provide fundamental exploration data to establish if the potential for hydrocarbons exist across the vast Wiso Basin area.

To date, three of the nine Wiso Basin permits have been awarded with Native Title Agreements required on the balance of the permits before they can be granted by the Northern Territory government. Blue Energy intends to continue the processes already commenced by AOG to obtain the remaining Native Title Agreements to facilitate award of the remaining permits

Blue Energy now holds interests in excess of 165,000km² (110,000km² net) of exploration acreage across nine different producing and prospective hydrocarbon basins within Queensland and the Northern Territory.

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blueenergy limited

Oil pipelines
Oil & Gas pipelines
Gas pipelines
Blue's Licences
Sedimentary basins

Map Area

1000km

Wiso Basin
Georgina Basin
Amadeus Basin
Eromanga Basin
Cooper Basin
Galilee Basin
Bowen Basin
Surat Basin
Carpentaria Basin

ATP 1112A
ATP 1114A
ATP 1117A
ATP 1123A
ATP 650A
ATP 657A
ATP 658A
ATP 656A
ATP 814
ATP 813
ATP 817
ATP 814
ATP 817
ATP 818
ATP 819
ATP 815
ATP 674
ATP 733
ATP 674
ATP 733

EP 207
EP 211
EP 205
EP 210
EP 208
EP 209
EP 206
EP 204
EP 203
EP 202
EP 201

Darwin
Alice Springs
Moolamba
Brisbane

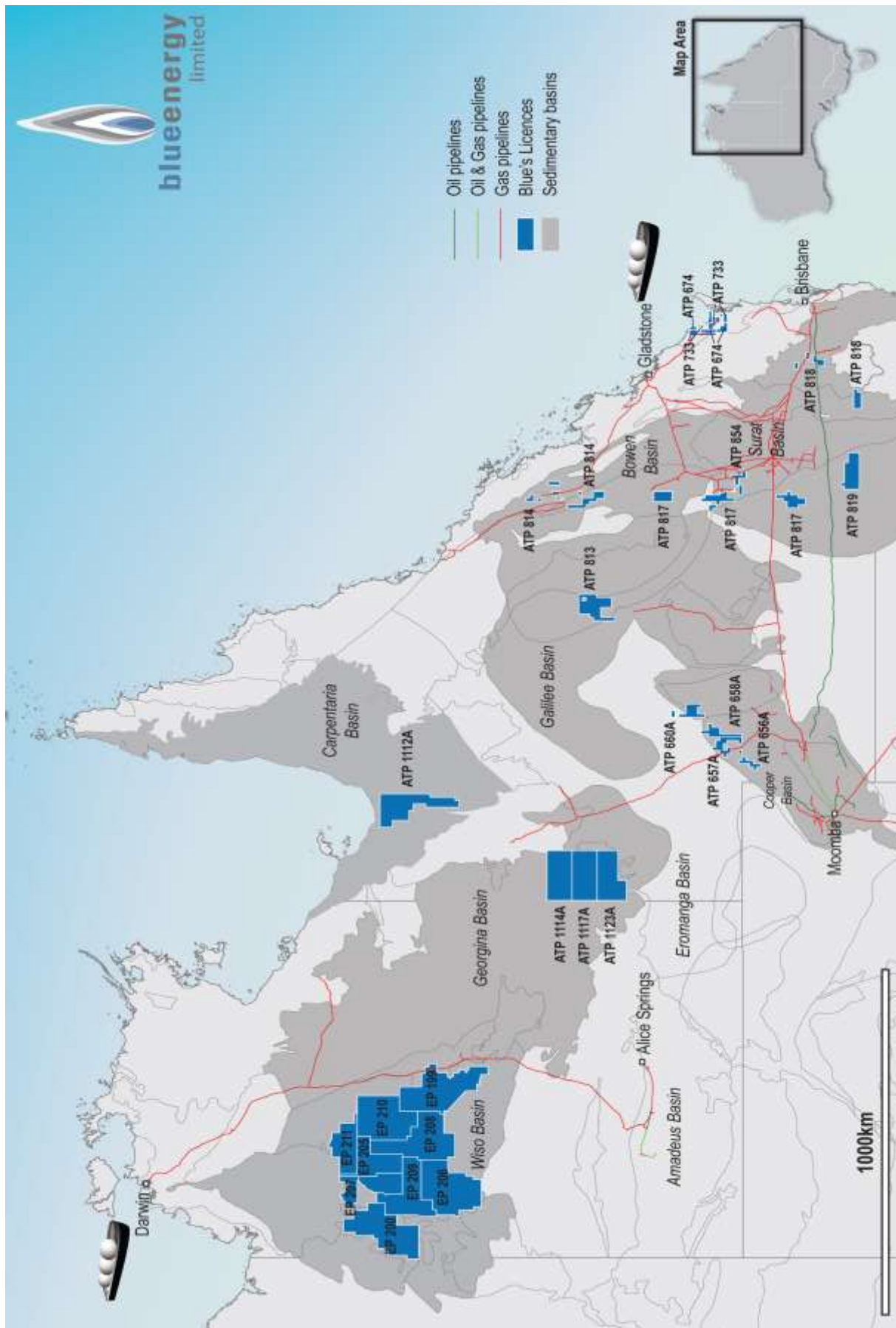


Figure 2: Total Magnetic Intensity Map Northern Territory

