BLUE ENERGY

2013 NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the Teach Room, Christie Conference Centre, Level 1, 320 Adelaide Street, Brisbane, on Thursday 28 November 2013 at 11.00am (Brisbane time).

This Notice of General Meeting should be read in its entirety.
If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 (7) 3270 8800.

BLUE ENERGY LIMITED
ACN 054 800 378

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the annual general meeting of shareholders of Blue Energy Limited (**"Company"**) will be held at the Teach Room, Christie Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland on Thursday 28 November 2013 at 11.00am (Brisbane time) (**"Meeting"**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Company has determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Tuesday 26 November 2013 at 7.00pm (Sydney Time). Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

Financial Report

To receive the financial report of the Company and its controlled entities for the year ended 30 June 2013 together with a Directors' report in relation to that financial year and the Auditor's report on the financial report.

1. Resolution 1 – Remuneration Report

To consider and, if thought fit, pass the following Resolution under section 250R(2) Corporations Act:

"That the Remuneration Report be adopted on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Key Management Personnel or their Closely Related Parties.

However, the Company will not disregard a vote if:

(a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote in accordance with the intention disclosed on the Proxy Form.

2. Resolution 2 – Re-election of Mr Jooho Maeng as a Director

To consider and, if thought fit, pass the following Resolution as an ordinary resolution:

"That Mr Jooho Maeng, who retires in accordance with the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

3. Resolution 3 – Approval of Employee Incentive Rights Plan

To consider and, if thought fit, pass the following Resolution as an ordinary resolution:

"That, for the purposes of Exception 9 of Listing Rule 7.2, Shareholders approve the issue of securities under the Employee Incentive Rights Plan pursuant to this plan on the terms and conditions set out in Schedule 2".

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive plan) and an associate of a Director (except a Director who is ineligible to participate in any employee incentive plan).

However, the Company will not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

(b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless:

(a) the appointment specifies the way the proxy is to vote on this Resolution; or

the proxy is the Chair and the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

4. Resolution 4 – Approval of the grant of Rights under the Employee Incentive Rights Plan to Mr John Phillips

To consider and, if thought fit, pass the following Resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 10.14 and Chapter 2E of the Corporations Act, Shareholders approve the granting of 10,345,000 Performance Rights to Mr John Phillips or his nominee pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of those persons.

However, the Company will not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless:

(a) the appointment specifies the way the proxy is to vote on this Resolution; or

the proxy is the Chair and the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

5. Resolution 5 – Approval for the alteration of vesting conditions of options granted to Mr John Ellice-Flint under his employment agreement

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 6.23.4 and Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve the alteration of the vesting conditions of:

20,618,250 Tranche 1 Performance Options; and

20,618,250 Tranche 2 Performance Options,

granted to Mr John Ellice-Flint in accordance with his employment agreement on the terms set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by:

(a) the person who is holding options (Mr John Ellice-Flint); and

(b) an associate of that person.

However, the Company will not disregard a vote if:

(c) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(d) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless:

(a) the appointment specifies the way the proxy is to vote on this Resolution; or

(b) the proxy is the Chair and the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

6. Resolution 6 – Appointment of Auditor

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

"That the Company, having received confirmation from Crowe Horwath of their intention to resign with effect from the conclusion of the Meeting, subject to ASIC's approval to their resignation, and having received Ernst and Young's consent, appoint Ernst and Young as auditors to the Company with effect from the conclusion of the Meeting."

Dated 17 October 2013

By Order of the Board

Stuart Owen

Company Secretary

Blue Energy Limited

EXPLANATORY MEMORANDUM

Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Teach Room, Christie Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland, on Thursday 28 November 2013 at 11.00am (Brisbane time).

Terms and abbreviations used in this Explanatory Memorandum have the meaning given in Schedule 1.

Resolution 1 – Remuneration Report

Pursuant to section 250R(2) of the Corporations Act, the Company is required to put the Remuneration Report to the vote of Shareholders. The Financial Report contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for specified executives and non-executive Directors.

The Corporations Act provides that Resolution 1 need only be an advisory vote of Shareholders.

Therefore, Resolution 1 is advisory only and does not bind the Directors. Of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report. However, the Board will take the outcome of the vote into consideration when considering the remuneration policy.

The Chairman of the Meeting will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

Resolution 2 – Re-election of Mr Jooho Maeng

Rule 6.3 of the Constitution requires that one third of the Directors must retire at each annual general meeting. Rule 6.3 also provides that any Director who so retires is eligible for re-election at that meeting.

Pursuant to Rule 6.3 Mr Johoo Maeng will retire by rotation and seeks re-election. Johoo Maeng was appointed a Director on 12 February 2013 and accordingly resigns and seeks re-election under Resolution 2.

Pursuant to the terms of the Heads of Agreement dated 28 May 2009 between the Company and KOGAS, KOGAS has the right to nominate one director to the Board of the Company. Mr Maeng has been nominated by KOGAS.

Mr Maeng has been director of KOGAS Australia Pty Ltd, a subsidiary of KOGAS, since January 2013. He has gained his extensive knowledge and experience in Asian LNG Markets over the last 20 years in roles within KOGAS. During this time, he has built strong relationships with LNG companies in Japan and China. He also has over 10 years' experience in the development of projects such as DS LNG, LNG Canada, Prelude and GLNG. With respect to the Prelude and GLNG Project, Mr Maeng has been involved from the beginning of these projects. This keen interest in the Australian gas industry, has led to his appointment as a director of KOGAS Australia, one of the four shareholders in the GLNG Project.

The Board believes that Mr Jooho Maeng has performed the duties and responsibilities of a director diligently and professionally, in the best interests of all Shareholders.

The Board unanimously supports the re-election of Mr Jooho Maeng.

Resolution 3 – Approval of Employee Incentive Rights Plan

3.1 Background

Resolution 3 seeks Shareholder approval in accordance with the Listing Rule 7.2 for the issue of Rights pursuant to this Employee Incentive Rights Plan. The Employee Incentive Rights Plan contemplates the issue to Eligible Employees of Rights to subscribe for Shares.

In 2010 Shareholders approved the Employee Incentive Rights Plan in accordance with Exception 9 of Listing Rule 7.2 for a period of 3 years. Since the previous approval in 2010, the Company has issued 24,181,000 Rights (current balance 15,893,000) and 1,696,409 Shares under the Employee Incentive Rights Plan (including those previously issued to Mr John Phillips).). A total of 8,288,000 Rights have either lapsed of been exercised leaving a balance of 15,893,000 Rights, being 14,238,000 Performance Rights and 1,655,000 Retention Rights.

The Board has recently undertaken a review, with the assistance of KPMG, of the effectiveness of the current Employee Incentive Rights Plan against both current taxation legislation impacting on employee share schemes and the Employee Incentive Rights Plan as a continuing best practice means of engaging, retaining and motivating the Company's staff.

The outcome of this review has concluded that the current Employee Incentive Rights Plan, a plan encompassing both retention rights aimed at promoting employee stability by rewarding employees who remain with the Company for the required service period, and performance rights aimed at rewarding employees for achieving the long term business goal of the Company to grow shareholder value, remains a best practice employee incentive plan. As such, the Company seeks Shareholder approval in accordance with the Listing Rule 7.2 of the terms of the Employee Incentive Rights Plan are set out in Schedule 2.

3.2 ASX Listing Rules

Listing Rule 7.1 places restrictions on the number of equity securities, including rights, which a listed company may issue in any 12 months without Shareholder approval. However, certain issues are exempt from this Listing Rule 7.1 and are effectively disregarded for the purposes of counting the number of securities which a company may issue under Listing Rule 7.1.

Exempt issues include an issue of securities to persons participating in an employee rights scheme where Shareholders have approved the issue of securities under the scheme as an exemption from Listing Rule 7.1. Shareholder approval must be given in a general meeting held not more than 3 years before the date of issue where the notice of that meeting contains or is accompanied by certain prescribed information (set out below).

In order to take advantage of the exemption from Listing Rule 7.1 and allow the Company greater flexibility to issue securities, Shareholders are requested to approve the Employee Incentive Rights Plan as an exemption from Listing Rule 7.1.

This approval will be effective for a period of 3 years from the date of the passing by Shareholders of Resolution 3.

For the purpose of Listing Rule 7.2 Exception 9, the terms of the Scheme are set out in Schedule 2.

The Chairman intends to vote all undirected proxies in favour of Resolution 3.

Resolution 4 – Approval for the grant of Rights under the Employee Incentive Rights Plan to Mr John Phillips

4.1 Background

The Board has chosen to issue Rights to the Managing Director, Mr John Phillips, as a key component of the incentive portion of his remuneration in order to retain his services and to provide an incentive linked to the performance of the Company. As such, the Board believes that the number of Rights to be granted to Mr Phillips is commensurate with his value to the Company. The Employee Incentive Rights Plan (EIRP) provides for Rights to be issued in two tranches with differing vesting requirements. If the Rights vest, Mr Phillips will either be issued Shares in the Company, or the trustee of the Blue Energy EST will acquire Shares for the purpose of allocating them to Mr Phillips. Mr Phillips will not be able to sell or otherwise dispose of the Shares issued or allocated to him on vesting of the Rights until the Company notifies him otherwise in accordance with the EIRP.

The Board has utilised its discretion within the rules of the EIRP and determined that in the current market conditions the use of Retention Rights is not appropriate at this point in time. Accordingly Mr Phillips will not be issued Retention Rights.

Despite the tough economic, political and environmental conditions that the Company has endured over the last twelve months significant gains have been made. The Company has secured vast new acreage positions delivering a world class asset portfolio covering the majority of producing and frontier basins in the country. In addition, significant advances have been made with government on environmental and general permit conditions that have enhanced the ability for Blue Energy to undertake exploration activities in Queensland. The Company's drill ready portfolio has been significantly improved in quality. The continued turn-around of the Company along with significant cost saving measures identified in the 2012/13 budget have been implemented and the cost savings outline achieved, reducing the company's cash burn by approximately $2.7m per year.

Whilst no short term incentives were awarded for the delivery of these out comes the Board believes the Managing Director is deserving of recognition under the Performance Rights Plan through the issue of Performance Rights.

Given the speculative nature of the Company's activities, it is considered the performance of the Managing Director and the performance and value of the Company are closely related. As such, the Rights granted will generally only be of benefit to Mr Phillips if he performs to the level whereby the value of the Company increases sufficiently in accordance with the offer conditions in Schedule B of Schedule 2. In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Phillips must remain an employee of the Company until 30 June 2016 for the Performance Rights to vest.

If Mr Phillips ceases to be an employee prior to 30 June 2016 (other than in certain circumstances including a change in control of the Company) the Rights will immediately lapse.

4.2 Proposed Shareholder approval

Shareholder approval is sought for the issue of a total of 10,345,000 Performance Rights to Mr John Phillips.

Mr Phillips is a related party for the purpose of Chapter 2E of the Corporations Act.

The issue of Rights to Mr Phillips will constitute the giving of a financial benefit to a related party under section 229(3)(e) of the Corporations Act and consequently, approval under section 208 of the Act is sought.

Listing Rule 10.14 also requires the approval of Shareholders before securities (which include rights to acquire Shares) can be issued to Mr Phillips under the Employee Incentive Rights Plan.

If Resolution 4 is passed, Listing Rule 10.12 (exception 4) exempts the Company from any requirement for approval under Listing Rule 10.11 for the grant of the Rights to Mr Phillips.

If Resolution 4 is passed, approval under Listing Rule 7.1 is not required as the issue of securities to Mr Phillips under the Employee Incentive Rights Plan will be approved by Shareholders at this 2013 Annual General Meeting.

4.3 Information required by Listing Rule 10.15 and section 219 of the Corporations Act

For the purposes of Listing Rule 10.15 and section 219 of the Corporations Act information regarding the Rights is provided as follows:

Terms and Conditions of the Rights

The terms and conditions of the Rights are detailed in Schedule 2.

Maximum Number of Rights to be Issued

10,345,000 Performance Rights.

The number of Rights proposed to be issued has been calculated on the basis of the formula in sections 9 and 10 of the Employee Incentive Rights Plan. As outlined above The Board has utilised its discretion within the rules of the EIRP and determined that in the current market conditions the use of Retention Rights is not appropriate at this point in time. The Board believes that this provides additional alignment between Mr Phillips and shareholders.

Eligible participants

No Director other than Mr Phillips and Mr Ellice-Flint are eligible to receive Rights under the Employee Incentive Rights Plan. No Rights have been issued to Mr Ellice-Flint.

Consideration Paid for the Rights

The Rights (and any Shares issued or acquired when the Rights vest) would be issued for nil consideration and as such, no funds will be raised by the issue of the Rights.

No loan has or will be granted in relation to the issue of the Rights.

Issue of Rights

If Resolution 4 is passed, the Company will issue the Rights no later than one month after the date of the Meeting.

Managing Directors' Remuneration

The total current annual base remuneration of Mr Phillips is $400,000 and has not been increased since his appointment in 2010.

Mr Phillips is also entitled to reimbursement of all reasonable travelling, accommodation and other expenses properly incurred in the course of the Company's business. Other than as set out in this Notice, Mr Phillips does not receive any other emoluments.

The exact amount of Mr Phillips' annual base remuneration in future years is not currently known but it is anticipated that it will be similar to that received by him for the current year.

Managing Directors' Current interest

Mr Phillips current shareholding (held directly or indirectly) is 540,533 shares. He also holds (directly or indirectly) 2,500,000 Options and 10,134,000 Rights. The previously issued Rights (being 534,000 Retention Rights and 9,600,000 Performance Rights) were approved at the 2010, 2011 and 2012 annual general meetings with a nil acquisition price. The previously issued rights have the same terms and conditions as those contained in this Explanatory Memorandum. The previously issued Options have an exercise price of $0.25 and vest in 3 tranches when the Company's share price has reached certain share price hurdles, being $0.40, $0.70 and $1.00 respectively being maintained for a period of 30 consecutive trading days.

Valuation of the Rights

A valuation of the Rights proposed to be issued under Resolution 4 has been obtained and, on the basis of the assumptions set out below, the technical value of the Rights is as follows:

Tranche	Number of Rights	Value per Right	Probability of Vesting	Total Value of Rights
Performance Rights	10,345,000	$0.019	50%	$98,278

This valuation imputes a total value of $98,278 to the Rights. This value may go up or down after the date of valuation as it will depend on the future price of the Binomial methodology used, together with the following assumptions:

- the risk free rate is the Commonwealth Government securities rate with a maturity date approximating that of the expiration period of the Rights, being 3.002%;
- the underlying security spot price used for the purposes of this valuation is based on the price of the Shares as at 30 June 2013, being $0.042;

- the recent volatility of the share price using Hoadley's volatility calculator, using data extracted from Bloomberg, being 70%;
- for the purposes of the valuation, no future dividend payments have been forecast;
- the valuation has been undertaken based upon meeting the 100% of the performance targets;
- for the purposes of the valuation it is assumed that the Rights will not vest any earlier than 30 June 2017; and
- for the purposes of the valuation it is assumed there is a 50% probability that the Performance Rights will vest.

The Board believes, having taken appropriate expert advice on the matter, that this valuation model is appropriate in the circumstances. The Board has not used any other valuation or model in proposing the terms or number of the Rights.

The Board has decided to issue the number of Rights proposed because independent expert advice it has received indicates that the Rights proposed to be granted to Mr Phillips is appropriate in the circumstances.

Dilutionary Effect

The following table demonstrates the dilution of all other Shareholders' holdings in the Company upon the vesting of Mr Phillips Rights issued under Resolution 4:

Shares on issue at date of this Notice	1,140,993,237
Shares issued assuming vesting of all Rights under Resolution 4	10,345,000
Total Shares on issue assuming vesting of all Rights under Resolution 4	1,151,338,237
Dilutionary effect (approximately)	0.91%

Mr Phillips currently holds, directly or indirectly, 540,533 Shares, 2,500,000 Options and 10,134,000 Rights.

If only the Rights to be issued under this Resolution 4 vest and Shares are issued or acquired, he will hold 10,885,533 Shares. Subject to no further Shares being issued between the date of this Notice and the date that the last of those Rights vest, Mr Phillip's holding will represent 0.95% of the issued capital of the Company.

If all of the Rights currently held by Mr Phillips, the Rights to be issued under this Resolution 4 and the Options currently held by Mr Phillips vest or are exercised and Shares are issued or acquired, he will hold 23,519,533 Shares. Subject to no further Shares being issued between the date of this Notice and the date that the last of his Rights vests, Mr Phillip's holding will represent 2.02% of the issued capital of the Company.

The following table demonstrates the dilution of all other Shareholders' holdings in the Company upon the vesting of all of Mr Phillips Rights including those proposed to be issued under Resolution 4 and if Mr Phillips exercises his Options:

Shares on issue at date of this Notice	1,140,993,237
Shares issued assuming vesting of all Rights and exercise of Options	23,519,533
Total Shares on issue assuming vesting of all Rights and exercise of Options	1,164,512,770
Dilutionary effect (approximately)	2.02%

Other Information

Under the accounting standard AASB Share Based Payments, the Company would recognise the fair value of Rights granted to Mr Phillips as an expense of $98,278 in its income statement with a corresponding adjustment to equity. This valuation is not and should not be taken to be audited financial information.

For the 12 months prior to 20 September 2013, the Company's shares traded on the ASX in a range from $0.100 to $0.026. As at the close of 18 October 2013, the Company's shares were quoted at $0.089.

The Rights being issued to Mr Phillips will not vest in full if the Company's 20 day volume weight share price to 30 June 2016 is less than 15.7 cents.

No Director or Associate of a Director has received any securities under the EIRP since the last approval by shareholders.

4.4 Voting Exclusion and proxies

In accordance with Listing Rule 14.11 and sections 224(1) and 250BD Corporations Act:

- Mr Phillips and an associate of Mr Phillips;
- a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and an associate of a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); and
- Key Management Personnel or their closely related parties in contravention of section 250BD of the Corporations Act,

are excluded from voting on this Resolution.

The Chairman intends to vote all undirected proxies in favour of Resolution 4.

4.5 Recommendation

No Director, other than Mr Phillips, has an interest in the outcome of Resolution 4. Each Director not eligible to participate in the Employee Incentive Rights Plan (being each Director other than Mr Phillips) recommends that this Resolution 4 be approved because they consider that the issue of the Rights to Mr Phillips will provide appropriate incentive to maximise the return to Shareholders over the long term to assist in developing a unity of purpose for both the Managing Director and the Shareholders.

Resolution 5 – Approval relating to the vesting conditions of Mr John Ellice-Flint's Performance Options

5.1 Background

At a general meeting of the Company held on 5 April 2012, Shareholders appointed Mr John Ellice-Flint a Director and approved the terms of his employment contract and the grant of Performance Options pursuant to the employment agreement.

Of those approved Performance Options, Tranche 1 and Tranche 2 contain vesting conditions relating to the certification of reserves (being the attainment of 822PJ of certified 2P reserves within 2 years of the commencement of Ellice-Flint's employment agreement in respect of Tranche 1 and the attainment of 3000PJ of certified 3P reserves by 31 December 2014 in respect of Tranche 2). In either case if 50% of the reserve target is achieved within the qualifying period allowed, the qualifying period is automatically extended by 24 months. The Tranche 3 Performance Options contain a vesting condition relating to the market capitalisation of the Company, being the achievement of a $300 million market capitalisation within 3 years of the commencement of Ellice-Flint's employment contract. Again if 50% of the market capitalisation target is achieved within that qualifying period, the qualifying period is automatically extended by 24 months. Each Tranche of the Performance Options has the exercise price of $0.0625.

5.2 Market Capitalisation Vesting Conditions

Resolution 5 relates to the approval of:

- for Tranche 1 of Mr Ellice-Flint's Performance Options, the inclusion of an alternative vesting condition of the attainment of a market capitalisation of $500 million; and
- For Tranche 2 of Mr Ellice-Flint's Performance Options the inclusion of an alternative vesting condition of the attainment of a market capitalisation of $700 million,

with all the other vesting conditions for Tranches 1, 2 and 3 of Mr Ellice-Flint's Performance Options remaining unchanged. Accordingly, if Resolution 5 is approved by Shareholders, Tranches 1 and 2 of Mr Ellice-Flint's Performance Options would be in the following terms:

Terms and Conditions of Tranches 1 and 2 of the Performance Options

Tranche	Number	Vesting Conditions	Exercise price	Final expiry date
Tranche 1 Performance Options	20,618,250	Company achieves 822PJ of certified 2P reserves or a market capitalisation of $500 million within 2 years ("2P Qualifying Term") of Commencement Date. If the Company achieves 50% of the 2P reserves target or a minimum market capitalisation of $250 million within the 2P Qualifying Term the 2P Qualifying Term is automatically extended by 24 months.	6.25 cents	15 February 2017
Tranche 2 Performance Options	20,618,250	Company achieves 3,000PJ of certified 3P reserves or a market capitalisation of $700 million by 31 December 2014 ("3P Qualifying Term"). If the Company achieves 50% of the 3P reserves target or a minimum market capitalisation of $350 million within the 3P Qualifying Term the 3P Qualifying Term is automatically extended by 24 months	6.25 cents	15 February 2017

5.3 Rationale for Alternative Vesting Conditions

The rationale for the proposed change in the vesting conditions for Tranches 1 and 2 of Mr Ellice-Flint's Performance Options is because of a change in the Company's strategy of a sole focus on growing certified reserves, to a strategy of a joint focus on growing both certified reserves and market capitalisation. Accordingly the Board considers it appropriate to move from solely reserve based vesting conditions to, for Tranches 1 and 2, both a reserve based, and a market capitalisation based, vesting condition. In coming to this view the Board has recognised:

- the fact that Tranche 3 of Mr Ellice-Flint's Performance Options (which are to remain unaltered) has always had a market capitalisation vesting condition; and
- that in drilling the Marburg 1 well the Company is pursuing a prospective liquids prospect that, if successful, will have different reserves characteristics to the reserve targets for gas prospects currently forming the vesting conditions of Tranches 1 and 2 of Mr Ellice-Flint's Performance Options.

The Board has decided to alter the vesting conditions of Tranches 1 and 2 of Mr Ellice-Flint's Performance Options to provide an appropriate incentive for Mr Ellice-Flint to maximise the return to Shareholders over the long term and to assist in developing a unity of purpose for both Mr Ellice-Flint and the Shareholders.

5.4 Alignment of the Reserve and Market Capitalisation Metrics of Tranches 1 and 2

The Board commissioned Deloitte to provide an analysis of reserve multiples based on market trading in shares of comparable companies, and transactions of comparable companies and assets, to provide information as to what comparable market capitalisations for the Company may be that accord with the reserve metrics currently applicable to Tranches 1 and 2's vesting conditions.

Deloitte analysis found that:

- a market capitalisation range of between $288 million (based on the average for market trading comparable listed companies) and $1,011 million (based on the average for transactions of comparable companies and assets) accords with the reserve metric of 822PJ in Tranche 1; and
- a market capitalisation range of between $210 million (based on the average for market trading comparable listed companies) and $1,110 million (based on the average for transactions of comparable companies and assets) accords with the reserve metric of 3,000PJ in Tranche 2.

Accordingly, the Board considers the market capitalisation vesting condition of $500 million for Tranche 1 and $700 million for Tranche 2 as fair and reasonable market capitalisation alternatives for the reserve based vesting conditions contained, and to continue, in Tranches 1 and 2.

If the Tranche 1 and Tranche 2 Options, as modified, are exercised it is likely that Tranche 3 will also be able to be, or have been, exercised.

5.5 Valuation of Performance Options in Tranches 1 and 2

As the market capitalisation conditions for Tranches 1 and 2 are proposed as comparable alternatives to the existing, and continuing reserves conditions for the vesting of Tranches 1 and 2 of Mr Ellice-Flint's Performance Options, which have been previously valued prior to their approval by Shareholders in 2012, it is not necessary to provide a further valuation of those options.

5.6 Issue of Tranches 1 and 2 Performance Options

In Resolution 5 is passed, the Company will vary the terms of the Tranche 1 and 2 Performance Options no later than one month after the date of the Meeting.

5.7 Voting Exclusion – Resolution 5

In accordance with Listing Rule 14.11 and section 224(1) Corporations Act, Mr Ellice-Flint and his nominee, and their associates are excluded from voting on Resolution 5.

Further, Key Management Personnel or their Closely Related Parties must not vote in contravention of section 250BD of the Corporations Act.

The Chairman intends to vote all undirected proxies in favour of Resolution 5.

5.8 Directors' Recommendation – Resolution 5

No Director, other than Mr Ellice-Flint, has an interest in the outcome of Resolution 5. Each Director recommends that Resolution 5 be approved because they consider that:

- the proposed alternative market capitalisation vesting conditions are a fair, reasonable and comparable alternative for the reserve conditions to Tranches 1 and 2 of Mr Ellice-Flint's Performance Options, given the Company's dual strategy to focus on growing reserves and market capitalisation; and
- the proposed changes to the vesting conditions are necessary to give further incentive to Mr Ellice-Flint to increase Shareholder value.

Resolution 6 – Appointment of Auditor

The Company has recently conducted a competitive request for proposals process for the supply of audit services from a number of audit firms, including Crowe Horwath and Ernst and Young. The proposal received from Ernst and Young was judged by the Company to be the most commercially competitive based on a number of criteria, including price, and accordingly the Company proposes to appoint Ernst and Young as auditor, subject to shareholder approval.

Following the resignation (subject to ASIC's approval) of Crowe Horwath as auditors to the Company, as a part of the finalisation of the request for proposals process, the Company seeks to appoint Ernst and Young as auditors to the Company. Pursuant to Section 328 of the Corporations Act, Ernst and Young, having been nominated by a shareholder (refer to Schedule 3 of this Explanatory Memorandum for a copy of the nomination), consents to act as auditors to the Company and seeks shareholder approval to be appointed as such.

Under the Corporations Act 2001, the resignation of an auditor is subject to approval by ASIC and the appointment of a new auditor is subject to approval at an annual general meeting. Crowe Horwath has sought ASIC's approval to resign and the Company seeks shareholder approval at this Meeting for Ernst and Young to be appointed auditors, subject to ASIC's approval.

The Directors support the nomination and recommend the appointment of Ernst and Young as auditor to the Company.

Action to be taken by Shareholders

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, to sign and return the Proxy Form to the Company in accordance with the instructions provided below.

(i) delivered by post to the Share Registry of the Company, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001; or

(ii) sent by fax to the Share Registry of the Company, Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia); or

(iii) online by visiting www.investorvote.com.au and logging in using the control number found on the front of your accompanying proxy form. You may also scan the QR code on the front of the accompany proxy form with your mobile device and insert your post. Intermediary Online subscribers (Institutions/Custodians) may lodge their proxy instruction online by visiting www.intermediaryonline.com.

To be effective, proxy forms must be received by the Company at its registered office or deposited at or faxed to the share registry no later than 48 hours prior to the meeting.

Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

SCHEDULE 1 – DEFINITIONS

In this Explanatory Memorandum and Notice terms defined in the Employee Incentive Rights Plan or Corporations Act have the same meaning when used in this document and:

“Annual Report” means the Company’s annual report for the period ending 30 June 2012.

“ASIC” means the Australian Securities and Investments Commission.

“ASX” means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

“Board” means the board of Directors of the Company.

“Company” means Blue Energy Limited ACN 054 800 378.

“Corporations Act” means the Corporations Act 2001 (Cth).

“Deloitte” means Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457.

“Director” means a director of the Company.

“EST” means Eastern Standard Time, being the time in Brisbane, Queensland.

“Employee Incentive Rights Plan” means the plan set out in Schedule 2.

“Explanatory Memorandum” means the explanatory memorandum to this Notice.

“Listing Rules” means the Listing Rules of ASX.

“Meeting” has the meaning given in the introductory paragraph of this Notice.

“Notice” means this notice of meeting.

“Options” means options to acquire Shares.

“Performance Options” means an option which converts into one Share on the payment of the exercise price and which vests based on achievement of specified performance objectives.

“Performance Right” means a right which converts into one Share and which vests based on achievement of specified performance objectives.

“Proxy Form” means the proxy form attached to the Notice.

“Resolution” means a resolution for the consideration of Shareholders at the Meeting.

“Remuneration Report” means the report of that name set out in the Annual Report.

“Retention Right” means a right which converts into one Share and which vests based on completion of a period of service.

“Rights” means Incentive Rights (being either Retention Rights or Performance Rights) under the Employee Incentive Rights Plan.

“Schedule” means a schedule to this Notice.

“Share” means a fully paid ordinary share in the capital of the Company.

“Shareholder” means a registered holder of a Share.

Words importing the singular include the plural and conversely.

SCHEDULE 2 – TERMS AND CONDITIONS OF THE BLUE ENERGY EMPLOYEE INCENTIVE RIGHTS PLAN

1. Purpose

This Blue Energy Limited Incentive Rights Plan (the Plan) is governed by the rules contained in this document (the Rules or Plan Rules).

The purposes of the Plan include to:

- ensure that employees have commonly shared goals related to producing relatively high returns for shareholders,
- assist employees to become shareholders in Blue Energy Limited (Blue Energy),
- provide a component of remuneration to enable Blue Energy to compete effectively for the calibre of talent required for it to be successful, and
- help retain employees, thereby minimising turnover and stabilising the workforce.

The Plan has been designed to deliver a combination of cash and Shares based on achievement of service and performance criteria.

2. Dictionary

Explanations of terms and abbreviations used in these Rules are contained in Schedules A and B.

In the event of a conflict between the Plan Rules, the ASX Listing Rules and/or the Corporations Act, ASX Listing Rules and/or the Corporations Act shall prevail.

3. Administration

This Plan will be administered by the Board of Blue Energy, but it may delegate responsibility to a committee of the Board in relation to all Participants or to the Managing Director in relation to Participants other than the Managing Director. The Board is authorised, subject to the provisions of these Rules, to establish such guidelines for the administration of the Plan as are deemed appropriate, and to make determinations under the Plan as may be deemed necessary or advisable from time to time. Such determinations shall be conclusive and binding on all Participants.

4. Eligibility

All full-time and permanent part-time employees of Blue Energy and its subsidiary companies are eligible to become Participants in the Plan.

Casual employees and independent contractors are not eligible to participate.

5. Offers

The Plan will operate through a series of Offers of Incentive Rights. The Board will in its absolute discretion determine in respect of each Offer those Eligible Employees to whom Offers will be made.

Each Offer may contain terms and conditions that vary between Offers. The terms and conditions that apply to an Offer are to be determined by the Board and once determined are deemed to form part of Schedule B to these Rules.

6. Participants

Eligible Employees who are offered and accept Incentive Rights will be referred to as Participants in the Plan. They will remain Participants until all Incentive Rights they have been granted have either lapsed or been paid out after vesting.

Being made an Offer or Offers under the Plan does not guarantee nor confer any entitlement to receive any other Offer under the Plan.

The form of the Offer of Incentive Rights to selected employees shall be determined by the Board in its discretion from time to time.

7. Incentive Rights

Two types of Incentive Rights may be offered to Participants being:

- Retention Rights which vest based on completion of a period of service, and
- Performance Rights which vest based on achievement of specified performance objectives.

8. Offer of Retention Rights

When Offers are made to selected Eligible Employees they will be advised of the number of Retention Rights, if any, that they are offered. The number of Retention Rights offered to a Participant will be calculated by applying the following formula unless otherwise determined by the Board:

Number of Retention Rights	=	**Participant's Base x Target Retention LTI% ÷ Right Value**

For example: for a Participant in an Executive Team member with a Target Retention LTI% of 10% and a Right Value of $0.20 (see later example calculations) the number of Retention Rights would be calculated as follows and would be rounded to the nearest 1,000 unless otherwise determined by the Board:

Number of Retention Rights	=	**Participant's Base x Target Retention LTI% ÷ Right Value**
	=	$300,000 x 10% ÷ $0.20
	=	$30,000 ÷ $0.20
	=	150,000

Target Retention LTI%s for categories of Eligible Employees are specified in Schedule B in relation to each Offer.

9. Offers of Performance Rights

When Offers are made to selected Eligible Employees they will be advised of the number of Performance Rights, if any, that they are offered. The number of Performance Rights offered to a Participant will be calculated as follows and would be rounded to the nearest 1,000 unless otherwise determined by the Board:

Number of Performance Rights	=	Participant's Base x Target Performance LTI% ÷ Adjusted Right Value

For example: for a Participant in a Direct Report role with a Base of $300,000, a LTI% of 40% and an Adjusted Right Value of $0.10 (see later example calculations) the number of Performance Rights would be calculated as follows:

Number of Performance Rights	=	Participant's Base x Target Performance LTI% ÷ Adjusted Right Value
	=	$300,000 x 40% ÷ $0.10
	=	$120,000 ÷ $0.10
	=	1,200,000

If the Target Performance LTI% is divided into multiple tranches of Performance Rights then the Target Performance LTI% will be adjusted for each tranche to reflect the portion of the Target Performance LTI% to be provided in that tranche.

Target Performance LTI%s for categories of Eligible Employees are specified in Schedule B in relation to each Offer.

10. Right Value and Adjusted Right Value

For purposes of determining the number of Incentive Rights to be allocated under the Plan the Right Value and Adjusted Right Value will be calculated as indicated below.

The Right Value will be taken as the Offer Share Price reduced by the expected dividends over the minimum vesting period under the Offer. Unless otherwise determined by the Board, the minimum expected dividends will be calculated by multiplying the most recent annual amount of dividends by the minimum term, expressed in years, of the Measurement Period.

Thus, if the Offer Share Price was $0.20, annual dividends were nil cents p.a. and the minimum vesting period were 3 years then the Right Value would be $0.20 calculated as follows:

Right Value	=	Offer Share Price – (Annual Dividend x Minimum Vesting Period)
	=	$0.20 – ($0.00 x 3)
	=	$0.20 - $0.00
	=	$0.20

The Adjusted Right Value will be determined by multiplying the Right Value by the probability of vesting as determined by the Board having regard to the vesting conditions attached to the Performance Rights. Unless otherwise determined by the Board the probability of vesting will be 50%. The Adjusted Right Value would be calculated as follows:

Adjusted Right Value	=	Right Value x Probability of Vesting
	=	$0.20 x 50%
	=	$0.10
	=	$0.20

11. Withdrawal of Offers

The Board may at its absolute discretion withdraw an offer at any time including after it has been accepted by a Eligible Employee provided that the Company has not granted the Incentive Rights that were the subject of the Offer.

Situations in which such withdrawals may occur include when the Board becomes aware that the employment of an Eligible Employee will cease in the near term.

12. Acceptance of Offers of Incentive Rights

The form in which Offers may be accepted shall be determined by the Board in its discretion from time to time. In accepting an Offer the Participant will be agreeing to be bound by these Rules.

Offers may be accepted or rejected but may not be partially accepted.

13. Incentive Rights May Not Be Transferred or Encumbered

An Incentive Right may not be transferred or otherwise dealt with (including for purposes of this Rule, be disposed of, encumbered, made subject to any interest in favour of any other person) and lapses immediately on purported transfer or dealing unless the Board, in its absolute discretion, approves the transfer or dealing or the transfer is effected by operation of law on death or legal incapacity to the Participant's legal personal representative.

SCHEDULE 2 – TERMS AND CONDITIONS OF THE BLUE ENERGY EMPLOYEE INCENTIVE RIGHTS PLAN

14. Granting of Incentive Rights

The Company will use reasonable endeavours to grant the Incentive Rights subject to an offer and acceptance, unless otherwise withdrawn in accordance with clause 11, with 1 month of the offer been accepted

15. Measurement Periods

The Measurement Period applicable to each tranche in each Offer will be specified in Schedule B. The Measurement Periods will relate to periods where service and performance conditions must be satisfied for Retention Rights and Performance Rights, respectively, to vest.

16. Performance Measures

Performance Measures are service and/or performance conditions that need to be satisfied for Incentive Rights to vest. They are specified in Schedule B, along with the relationship between various potential levels of performance and levels of vesting that may occur. Performance conditions will be determined for each tranche of each Offer by the Board and may vary between Offers.

17. Vesting of Incentive Rights

Following the end of the Measurement Period, the Board will determine for each tranche of Incentive Rights to which the Measurement Period applies, the extent to which they vest. The steps involved are as follows:

Step	Process
1	Determine actual performance in relation to the Performance Measure.
2	Determine the vesting percentage from the Vesting Scale relevant to the tranche of Incentive Rights. For example: if Blue Energy's TSR were 20% per annum compound then the vesting percentage would be 37.5% (see Schedule B 31.1, Item 4 table 1).
3	If vesting occurs in relation to a tranche then a cash award of $1,000 (pre PAYE tax) will be payable to the Participant in relation to that tranche. It will be paid via Payroll with PAYG tax deducted. For example, if vesting occurs in relation to 2 tranches then the Participant would receive a $2,000 cash award.
4	Determine the number of Incentive Rights of each type that are held in relation to the Offer after taking into account Rules 17 and 19.
5	Determine the number of Incentive Rights of each type to vest by multiplying the vesting percentage by the number of Incentive Rights of each type held.
6	Calculate the Vested Rights Value for each tranche by multiplying the relevant number of vested rights in the tranche by the relevant Vesting Share Price.
7	If the Vested Rights Value for a tranche is more than $1,000 then the Participant will be entitled to Restricted Shares. The number of Restricted Shares will be determined by dividing the excess of the Vested Rights Value for the tranche over $1,000 by the relevant Vesting Share Price.

18. Lapsing of Incentive Rights

If Incentive Rights in a tranche have not vested and there is no opportunity for those Incentive Rights to vest at a later date then they lapse. Typically this will be following testing of Incentive Rights if they fail to vest.

19. Restricted Shares

The Company will either issue Restricted Shares to Participants or arrange for them to be acquired for the Participant's benefit by the trustee of the Blue Energy EST. When Shares are to be acquired by the Blue Energy EST, the Participant's 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 by Participants 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 or the Company's share trading policy.

20. Bonus Issues, Rights Issues and Capital Reorganisation

In cases of bonus share issues by the Company the number of Incentive Rights held by a participant shall be increased by the same number as the number of bonus shares that would have been received by the Participants had the Incentive Rights been fully paid ordinary shares in Blue Energy.

In the case of general rights issues (other than Incentive Rights) to Blue Energy shareholders there will be no adjustment to the Incentive Rights. However, the Board may consider issuing options:

a) of a number up to the number of shares to which the Participant would have been entitled had the Incentive Rights been fully paid ordinary shares in Blue Energy, and

b) the exercise price of such options will be equal to the amount payable by Blue Energy shareholders to exercise a right to acquire a share.

In the case of all other issues of securities there will be no adjustment to the Incentive Rights.

In the case of other capital reconstructions the Board may make such adjustments to the Incentive Rights as it considers appropriate with a view to ensuring that holders of Incentive Rights are neither advantaged nor disadvantaged.

21. Termination of Employment

The following table indicates the treatment of unvested Incentive Rights at the date of termination of employment.

Termination Circumstance	Unvested Retention Rights	Unvested Performance Rights
Dismissal (termination for cause)	All are forfeited.	All are forfeited.
Resignation	All are forfeited unless and to the extent otherwise determined by the Board.	All are forfeited unless and to the extent otherwise determined by the Board.
Death Total Permanent Disablement (termination for illness) Retirement with the approval of the Board Company initiated termination without cause e.g. retrenchment and redundancy	Retention Rights granted in the financial year of termination of employment are forfeited in the same proportion as the remainder of the financial year bears to the full financial year. Retention Rights that do not lapse at the termination of employment will continue to be held by Participants with a view to testing for vesting at the end of the Measurement Period. If the share price at the date of testing is less than the share price at the date of termination of employment then all unvested Retention Rights lapse. If the share price at the date of testing is not less than the share price at the date of termination of employment then Retention Rights granted in the financial year of termination and prior years that have not been forfeited will vest. Retention Rights vesting will be dealt with pursuant to Rules 16 and 18.	Performance Rights granted in the financial year of termination of employment are forfeited in the same proportion as the remainder of the financial year bears to the full financial year. Performance Rights that were granted in a year prior to the year of termination of employment and were first test for vesting not later than the date of termination of employment, will be forfeited. Performance Rights that do not lapse at the termination of employment will continue to be held by Participants with a view to testing for vesting at the end of the Measurement Period. If the share price at the date of testing is less than the share price at the date of termination of employment then all unvested Performance Rights lapse. If the share price at the date of testing is not less than the share price at the date of termination of employment then Performance Rights granted in the financial year of termination and prior years that have not been forfeited will be tested once for vesting at the end of the Measurement Period. If they do not vest at that time then they will be forfeited. Performance Rights vesting will be dealt with pursuant to Rules 16 and 18.

SCHEDULE 2 – TERMS AND CONDITIONS OF THE BLUE ENERGY EMPLOYEE INCENTIVE RIGHTS PLAN

22. Change-In-Control Including Takeover

In the event of a change-in-control including a takeover the vesting conditions attached to the tranche at the time of the Offer will cease to apply and the following approach will apply to determining the extent, if any, of vesting.

In the event of a change-in-control including a takeover, unvested Incentive Rights will vest in the proportion that the Company's share price has grown since the date of grant of the Incentive Rights or such greater proportion as determined in the discretion of the Board. Maximum vesting is 100%.

In determining whether the Share Price has increased the current Blue Energy Share Price (offer price in the case of a takeover offer) is to be compared to the Offer Share Price for that tranche.

For example, if the Offer Share Price for a tranche were $0.12 and the successful takeover offer were at $0.18 then 50% (($0.18 - $0.12) ÷ $0.12) would be the percentage of the unvested Incentive Rights to vest. Any Incentive Rights that do not vest would lapse.

23. Fraud, Gross Misconduct etc

In the event that the Board forms the opinion that a Participant has committed an act of fraud, defalcation or gross misconduct in relation to Blue Energy, the Participant will forfeit all unvested Incentive Rights.

24. Plan Limits

In the case of an offer of new Shares for issue, the number of Shares, the subject of the offer when aggregated with:

a) the number of Shares in the same class which would be issued were each outstanding offer with respect to the Shares, units of Shares and options to acquire unissued Shares under any employee incentive scheme to be accepted or exercised (as the case may be); and

b) the number of Shares in the same class issued during the previous 5 years pursuant to the Plan or any other employee incentive scheme extended only to Employees or directors of a Group Company,

but disregarding any offer made, or option acquired or Share issued by way of or as a result of:

c) an offer to a person situated at the time of the receipt of the offer outside Australia; or

d) an offer that was an excluded offer or Invitation within the meaning of the Corporations Act as it stood prior to the commencement of Schedule 1 to the Corporate Law Economic Reform Program Act 1999; or

e) an offer that did not need disclosure to investors because of Section 708 of the Corporations Act;

f) or an offer that did not require the giving of a Product Disclosure Statement because of Section 1012D of the Corporations Act; or

g) an offer made under a disclosure document or Product Disclosure Statement,

must not exceed 5% of the total number of issued Shares in that class of the Company at the time of the offer.

26. Board Determinations and Amendment of the Plan

A determination by the Board or a Committee or a delegate of the Board may be evidenced by minutes of a meeting of the Board or Committee or a record of a determination by the delegate (as applicable). Any such minute or determination shall be prima facie evidence of the determination in the absence of manifest error.

The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Rules, including this rule.

No amendment to or repeal of the Rules is to reduce the existing rights of any Participant in respect of any Offers that had commenced prior to the date of the amendment or repeal, other than with the consent of the Participant or where the amendment is introduced primarily:

- for the purpose of complying with or conforming to a present or future State, Territory or Commonwealth legal requirement governing, regulating or effecting the maintenance or operation of the Plan or like plans;
- to correct any manifest error or mistake;
- to address possible adverse tax implications for Participants generally or Blue Energy arising from:
  - a ruling of any relevant taxation authority;
  - a change to tax legislation or the application or termination of the legislation or any other statute or law (including an official announcement by any relevant taxation or government authority);
  - a change in interpretation of tax legislation by a court of competent jurisdiction or by any relevant taxation authority; or
  - to enable Blue Energy to comply with the Corporations Act, Companies Act or the Listing Rules.

26. Not Exclusive Method of Incentive

This Plan shall not be an exclusive method of providing incentive compensation for employees of Blue Energy, nor shall it preclude Blue Energy from authorising or approving other forms of incentive compensation.

SCHEDULE 2 – TERMS AND CONDITIONS OF THE BLUE ENERGY EMPLOYEE INCENTIVE RIGHTS PLAN

27. No Right to Continued Employment

Neither the establishment of the Plan nor receipt of an Offer nor the payment of an award nor the vesting of Rights or any other action under the Plan shall be held to confer upon any Participant the right to continue in the employment of Blue Energy or affect any rights Blue Energy may have to terminate the employment of the Participant.

28. Relationship to Other Plans

Participation in the Plan shall not affect or be affected by participation in or payment under any other plan of Blue Energy, except as otherwise determined by the Board.

29. Governing law

These Rules are governed by the laws of Queensland, Australia.

30. Schedule A – Dictionary

The terms and abbreviations used in these Rules have the following meanings.

ASX	ASX Limited ACN 008 624 691 (aka Australian Securities Exchange).
Base or Base Package	In relation to an employee means the annualised value of salary, superannuation, other benefits and fringe benefits tax comprising the fixed remuneration, as determined by the Board.
Blue Energy	Blue Energy Limited ACN 054 800 378.
Blue Energy EST	Blue Energy employee share trust.
Board	The Board of Blue Energy.
Company	Blue Energy
Change in control	When 50% or more of the ordinary shares are held by a person or group of associated persons or 50% or more of the votes that may be cast at a general meeting are under the control of a person or group of associated persons.
Corporations Act	Corporations Act 2001 (Cth).
Current Share Price	Blue Energy' market share price at the relevant time, as determined by the Board.
Eligible Employees	Those employees of Blue Energy who are eligible to become Participants under Rule 4.
Incentive Rights	Includes both Retention Rights and Performance Rights. Each Incentive Right converts to 1 Share.
Listing Rules	The Listing Rules of ASX.
Managing Director	The Managing Director for the time being of Blue Energy.
Measurement Period	In relation to Offers of Incentive Rights means the period or periods specified in Schedule B in relation to the Offer.
Offer	An offer of Incentive Rights under the Plan.
Offer Share Price	The volume weighted average share price at which Blue Energy's shares were traded on the ASX over the twenty (20) trading days prior to and including the 30 June preceding the Offer or such other date determined by the Board.
Participant	See rule 6.
PAYG	Pay As You Go tax instalment system.
Performance Measure	One or more types of performance measurement, as determined by the Board.
Performance Rights	These are Performance Rights where vesting is based on satisfaction of performance criteria. Each Performance Right converts to 1 Share.
Plan	Blue Energy Limited Incentive Rights Plan.
Rules or Plan Rules	These rules that govern the Plan.
Tranche	Refers to a portion of a grant of Incentive Rights that relates to a specific Performance Measure, as determined by the Board.
TSR	Total shareholder return being the percentage change over a period in shareholder value due to share price movement and dividends assuming that they are reinvested into Blue Energy shares as determined by the Board.
Shares	Means fully paid ordinary shares in Blue Energy.
Schedule	These are the schedules attached to and forming part of these Plan Rules.
Vesting Share Price	The volume weighted average share price at which Blue Energy's shares were traded on the ASX over the twenty (20) trading days prior to and including the last day of the measurement period.
$	Australian Dollars.

SCHEDULE 2 – TERMS AND CONDITIONS OF THE BLUE ENERGY EMPLOYEE INCENTIVE RIGHTS PLAN

31. Schedule B – Offer Conditions

31.1 2013 Offers

1 Measurement Periods

- Retention Rights: 1 July 2013 to 30 June 2016
- Performance Rights:
  a. First test: 1 July 2016 to 30 June 2016,
  b. Retest: 1 July 2016 to 30 June 2017

NB: Retest only applies if nil vesting occurs at the first test.

2 LTI% Tranches

Incentive Rights	Target		
	Managing Director	Executive Team	Key Management
Retention LTI%	**Up to 10%**	**Up to 10%**	**Up to 10%**
Performance LTI%	**Up to 60%**	**Up to 40%**	**Up to 20%**

3 Vesting Scale for Retention Rights

Service Vesting Scale is as follows:

Performance Level	Period of Service	Vesting%
< Target	**Employment ceases before 30 June 2016**	**0%**
Target	**Employment ceases on or after 30 June 2016**	**100%**

If Retention Rights have not been forfeited on termination of employment under Rule 20 then for purposes of the above vesting scale, employment will be deemed to cease on 30 June 2016.

4 Absolute TSR Vesting Scale

At the end of the first test Measurement Period the following vesting scale will be applied to Performance Rights based on the TSR achieved by the Company during the Measurement Period.

Performance Level	Compound Annual Rate of the Company's TSR Over the Measurement Period	Vesting%
<Threshold	**<15%**	**0%**
Threshold	**15%**	**25%**
>Threshold & <Target	**>15% & <25%**	**Pro rata**
Target	**25%**	**50%**
>Target & <Stretch	**>25% & <50%**	**Pro rata**
Stretch	**≥50%**	**100%**

At the retest date the foregoing scale will also apply.

SCHEDULE 3 – NOMINATION OF AUDITOR

James van Rooyen

57 Agnes Street

Auchenflower, QLD 4066

29th September 2013.

The Directors
Blue Energy Limited
Level 3, 410 Queen Street
Brisbane QLD 4000

Dear Sirs,

Nomination of Auditor – Blue Energy Limited

James van Rooyen, being a shareholder of Blue Energy Limited nominates Ernst and Young for appointment as Blue Energy Limited's auditors at the upcoming Annual General Meeting of Blue Energy Limited.

Yours Faithfully

James van Rooyen

blueenergy
limited

blueenergy.com.au

blueenergy limited
ABN 14 054 800 378

000001 000 BUL
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 552 270
(outside Australia) +61 3 9415 4000

Proxy Form

Vote and view the annual report online

Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11.00am (Brisbane time) Tuesday, 26 November 2013

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Blue Energy Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Blue Energy Limited to be held in the Teach Room, Christie Conference Centre, Level 1, 320 Adelaide Street, Brisbane on Thursday, 28 November 2013 at 11.00am (Brisbane time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Items 1, 3, 4 & 5** (except where I/we have indicated a different voting intention below) even though **Items 1, 3, 4 & 5** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: For **Items 3, 4 & 5** this express authority is also subject to you marking the box in the section below. If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Items 3, 4 & 5** by marking the appropriate box in step 2 below.

Important for Items 3, 4 & 5: If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on **Items 3, 4 & 5** below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on **Items 3, 4 & 5**, the Chairman of the Meeting will not cast your votes on **Items 3, 4, & 5** and your votes will not be counted in computing the required majority if a poll is called on **these item**. The Chairman of the Meeting intends to vote undirected proxies in favour of **Items 3, 4 & 5** of business.

☐ I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of **Items 3, 4 & 5** and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Mr Jooho Maeng	☐	☐	☐
Resolution 3	Approval of Employee Incentive Rights Plan	☐	☐	☐
Resolution 4	Approval for the grant of Rights under the Employee Incentive Rights Plan to Mr John Phillips	☐	☐	☐
Resolution 5	Approval for the alteration of vesting conditions of options granted to Mr John Ellice-Flint under his employment agreement	☐	☐	☐
Resolution 6	Appointment of Auditor	☐	☐	☐

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** ____/____/____