

25 October 2016

Mr Joshua Strutt

Adviser, ASX Listings Compliance

20 Bridge Street

Sydney NSW 2000

Dear Joshua,

Blue Energy Limited – Price Enquiry

I refer to your share price enquiry of today's date. I respond to your questions as follows:

1. The Company is unaware of any information not already announced to the market that can explain the recent increases in the price and volume in trading of the Company's securities.
2. Not applicable.
3. The Company is unaware of any other definitive explanation for the recent trading in its securities.
4. I confirm the Company is in compliance with the Listing Rules and in particular Listing Rule 3.1.
5. I confirm I am authorised by the Company's Board and its Securities Trading Policy to respond to your enquiry.

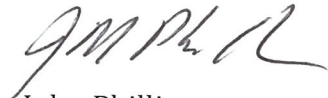
While the following factors remain matters of assumption and conjecture, one possible reason for the improvement in Blue's share price could be that investors are now understanding that there is real tightness of supply in the east coast gas market. With continuing demand growth (both from export LNG and domestic gas), the value of Blue Energy's uncontracted gas reserves (300 PJ 3P) and resources (circa 4,000 PJ Contingent Resources) is therefore increasing.

In addition to this, the recent revelation that if not for gas, South Australia would have remained in the dark for a lot longer following the failure of the electricity grid suggests that having more available gas fired electricity generation to accompany increasing levels of renewable energy is the only practical way to stabilise the grid, reduce CO2 emissions and provide back up to intermittent unreliable renewable energy sources (ie provide security of energy supply) that governments are mandating be put in place. That is, gas demand will continue to increase.

Contemporaneous with this reply, which I understand will, together with your enquiry, be released on the ASX announcements platform, the Company is releasing a *Letter to Shareholders*, ahead of the Company's Annual General

Meeting on 22 November. This gives a high level outline of the reasons for the Resolutions to be put to that meeting (which have already been fully detailed in the Explanatory Memorandum to the Annual General Meeting Notice already approved by ASX and ASIC and released to the market), indicates the Company's future intention to initiate a share buy-back scheme for unmarketable parcels, and provides a review of macro-economic conditions in the oil and gas markets over the past 12 months.

Yours faithfully,



John Phillips

Managing Director and CEO



25 October 2016

Mr John Phillips
CEO
Blue Energy Limited
Level 3
410 Queen Street
Brisbane QLD 4000.

By email: John.Phillips@blueenergy.com.au

Dear Mr Phillips

Blue Energy Limited ("Company"): price query

We note the change in the price of the Company's securities from a low of \$0.026 on 20 October 2016 to a high of \$0.038 today.

We also note the significant increase in the volume of the Company's securities traded in the past few days.

In light of this, ASX asks the Company to respond separately to each of the following questions and requests for information:

1. Is the Company aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?
2. If the answer to question 1 is "yes":
 - a) Is the Company relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1?

Please note that the recent trading in the Company's securities would suggest to ASX that such information may have ceased to be confidential and therefore the Company may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is "yes", you need to contact us immediately to discuss the situation.
 - b) Can an announcement be made immediately?

Please note, if the answer to this question is "no", you need to contact us immediately to discuss requesting a trading halt (see below).
 - c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?
3. If the answer to question 1 is "no", is there any other explanation that the Company may have for the recent trading in its securities?
4. Please confirm that the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

5. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 2.30 pm AEDT on 25 October 2016. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Company's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at Joshua.strutt@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to the Company's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that the Company's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is "yes" and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in the Company's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Joshua Strutt
Adviser, Listings Compliance
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E: joshua.strutt@asx.com.au