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ASX/Media Release

Extension of KOGAS Farmin Option

Blue Energy Limited (ASX: BUL) advises that it has agreed to a request from Korea Gas Corporation (KOGAS) to extend the expiry date on the farmin option by 8 months to 28 February 2011.

As part of the \$12.571m share placement in Blue Energy made by KOGAS in August 2009, KOGAS was granted an option (expiring 30 June 2010) to farmin to Blue Energy's Galilee Basin permit ATP813P and / or ATP814P in the northern Bowen Basin. In the past twelve months Blue Energy has undertaken a significant amount of exploration in both permits and has supplied data sets to KOGAS for their internal review process.

In March 2010 Blue Energy received an initial gas in place resource estimate from Netherland, Sewell and Associates (NSAI) of 121PJ (2C), 3,411PJ (3C) and a Prospective Resource of 3,630PJ relating to the gas potential of the carbonaceous shales. Blue Energy has continued exploration and appraisal activities aimed at the conversion of the 2C/3C resource estimates into certified 2P/3P reserves. To this extent production well drilling and testing is ongoing and it is expected an updated data set will be provided to the reserves certifiers with the next month.

Given the recent taxation uncertainty together with exploration delays associated with the severe flooding events that occurred between December 2009 and March 2010, KOGAS requested an extension of farmin option period until 28 February 2011.

Commenting on the extension, Blue Energy CEO and Managing Director John Phillips said "Blue Energy is committed to working with KOGAS as a strategic partner and has agreed to their request for an extension. During the option extension period Blue Energy will continue to undertake exploration activities to further mature these assets and will provide KOGAS all necessary data to enable KOGAS to fully assess the permits with the aim of gaining KOGAS' commitment to a farmin agreement in early 2011".

END

For further information please contact:

John Phillips
Chief Executive Officer & Managing Director
Blue Energy Limited
Tel: +61 7 3270 8800