



**blueenergy**  
limited



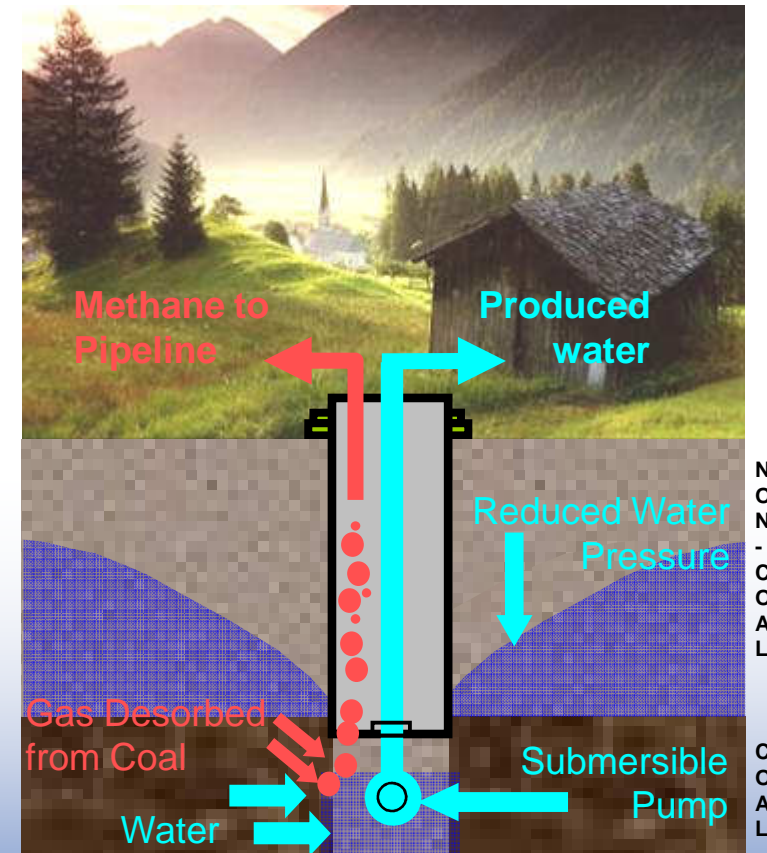
**POISED FOR GROWTH**

London

16 July 2009

# Coal Seam Gas in Australia

- The process of extracting methane from coal seams and naturally fractured stacked thin coaliferous beds has gathered pace in Asia.
- A broad range of experience is evident with:
  - well established Australian developments,
  - emerging Chinese and Indian expansions,
  - fledgling Indonesian licensing, and
  - exploration potential being realised in some other regional countries.



Methane is contained in solution and on cleat surfaces within the coal bed and held in place by hydraulic pressure. Lowering of the hydraulic pressure by withdrawal of water from wells completed in the coal bed allows the methane to be released and recovered

- Well depths 350-1,000 m
- Seam thickness 3-10 m
- Net coal thickness 10-80 m
- Gas content 3-15 m<sup>3</sup>/tonne daf
- Gas Permeabilities 1 mD-500 mD
- Well Spacing 500-1,000 m (25-100 ha)
- Typical Well Productivity 0.75 TJ/d  
(4 wells will produce approx 1 PJ/yr)

# Eastern Australian Gas Infrastructure

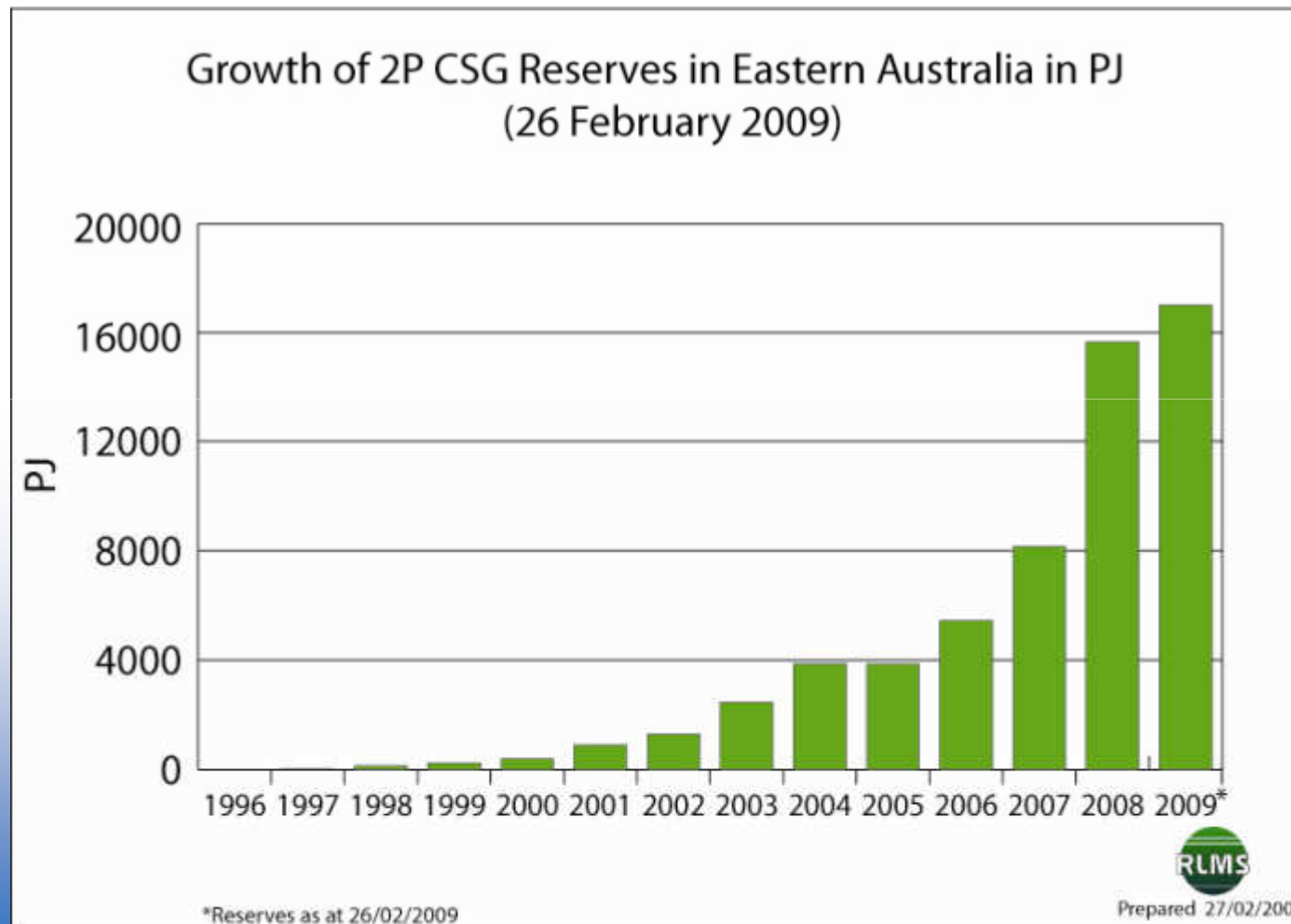


- CSG exploration commenced in the Bowen Basin in 1976
- In the 1980s and 1990s exploration and development activities were principally carried out in the Bowen Basin
- By the mid-1990s increased understanding in the Bowen Basin resulted in successful identification of coal targets, application of low-cost drilling techniques, development of stimulation techniques and effective well completions

- From 2000 the lessons learnt in the Bowen Basin were applied to the Walloon Coal Measures in the Surat Basin.
- More recently, they have been utilised for programs in the Clarence-Moreton, Galilee, Gloucester, Gunnedah and other basins in Eastern Australia.
- In only a decade CSG has become a major component of the Eastern Australian upstream gas industry.

- From a production of 1 PJ in 1996 from the Bowen Basin, CSG output in eastern Australia has grown rapidly.
- As at 31 December 2008, it was 458 TJ per day (167 PJ per year).
- 96.7% of this production (443 TJ per day) is from Queensland.
- Eastern Australian gas demand is 670 PJ per year.
- Current CSG output (25% of demand) continues to increase as existing fields expand and new projects are brought into production.
- CSG developments mostly have been focused in regions relatively close to existing gas transmission infrastructure.

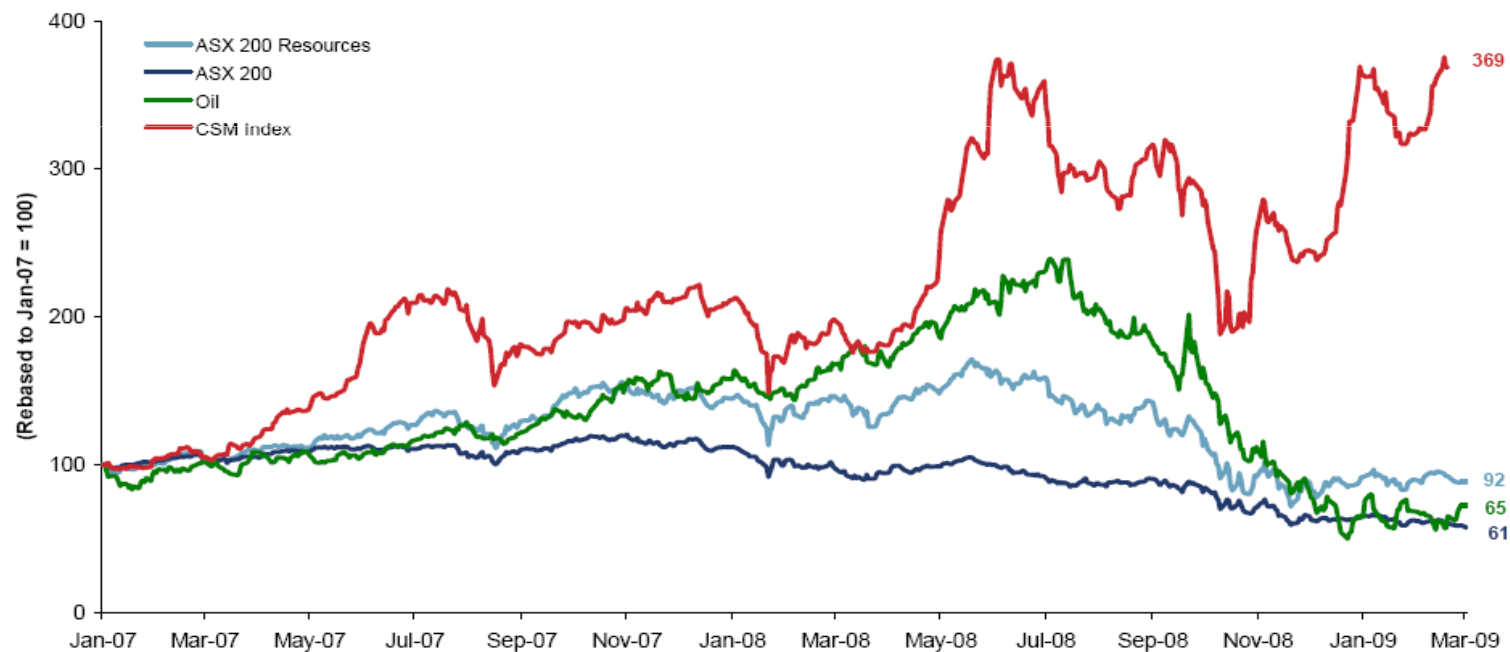
- The Eastern Australian gas market is currently estimated to be 1,835 TJ per day or 670 PJ per year.
- At 31 December 2008 CSG was being produced at an estimated rate of 458 TJ per day (167 PJ per year).
- Of this, 443 TJ per day (162 PJ per year) is produced in Queensland and the balance from the Camden project.
- CSG now supplies 25% of Eastern Australian and 85% of Queensland natural gas market



- Over the last 12 months there has been major consolidation of ownership of CSG groups.
- ASX listed Companies that have gone from the register include Pure Energy Resources, Queensland Gas Company, Roma Petroleum, Sunshine Gas and Sydney Gas.
- The four major LNG proponents at Gladstone now control 85% of 2P CSG reserves.

## Relative performance of Australian CSG stocks

The significant level of corporate activity, induced by LNG opportunities and expectation of higher domestic gas prices, has led CSG stocks to significantly outperform the resources sector and broader market despite the current global economic downturn



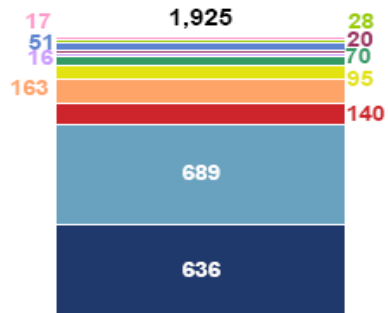
Source: Bloomberg, CapIQ, IRESS, as at Mar-2009. CSG index is comprised of Santos, Origin, QGC (until 15-Dec-2008 last day of trading), Sydney Gas, Eastern Star Gas, Sunshine Gas (until 10-Nov-2008 last day of trading), Metgasco, Pure Energy Resources, Molopo, Blue Energy and Arrow Energy (on an equal weight basis).

## Substantial value appreciation has been recognised by the market since 2008...

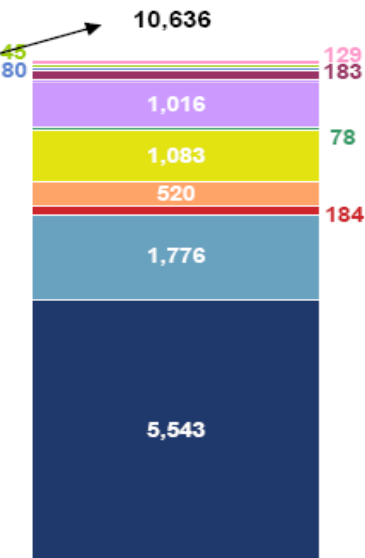
The aggregate value of the listed CSG sector has grown over 4 fold in the past two years

Pure Play CSG Market Capitalisation 1-Jan-2007 (A\$m)

- QGC      ■ Arrow      ■ Sydney Gas      ■ Eastern Star
- Sunshine Gas      ■ Metgasco      ■ Pure Energy      ■ Molopo
- Blue Energy      ■ Westside      ■ Bow Energy



Pure Play CSG Market Capitalisation Mar-2009<sup>1</sup> (A\$m)



\$8,695 million (458% increase)

Market Capitalisation

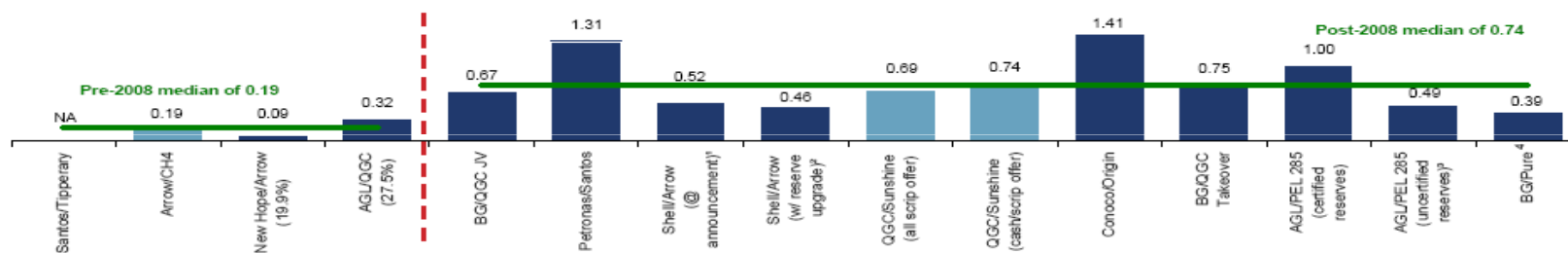
Market Capitalisation

Source: IRESS, Capital IQ, as at 13-Mar-2009

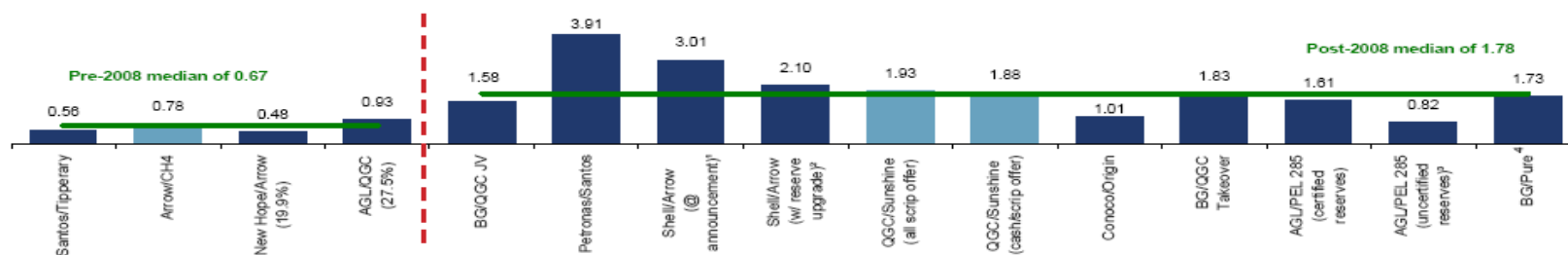
## Acquisition multiples increased significantly during 2008

Recent transactions have attributed significantly higher valuations to CSG reserves

EV/3P Multiple (A\$/GJ)



EV/2P Multiple (A\$/GJ)



■ All cash transactions      ■ Scrip transactions (inc. part scrip)

Source: Company filings and IRESS

Note: Multiples calculated using up-front consideration amounts only. CSG transactions since 2004 greater A\$100m. Median calculations exclude Shell/Arrow (w/ reserve upgrade), QGC/Sunshine Gas (all scrip), and AGL/PEL 285 (uncertified reserves)

<sup>1</sup> Shell/Arrow transaction value of \$435m as disclosed in announcement on 2-Jun-2008.

<sup>2</sup> Shell/Arrow transaction value of \$435m as disclosed in announcement on 2-Jun-2008. Reserve figures adjusted for reserve upgrade as announced on 31-Jul-2008.

<sup>3</sup> AGL/PEL 285 future reserves as disclosed by AGL in announcement on 17-Dec-2008.

<sup>4</sup> BG/Pure transaction consideration calculated at the unconditional offer price of A\$8.00 per share. BG has offered A\$8.25 per Pure share conditional upon 90% acceptance.

# Blue Energy

**The next CSG growth company?**

## Australian listed Energy Company (BUL)

Brisbane Head Office

Shares on Issue 565.7m

Market Capitalisation \$120m

Cash \$31.9m\*

### Major Shareholders

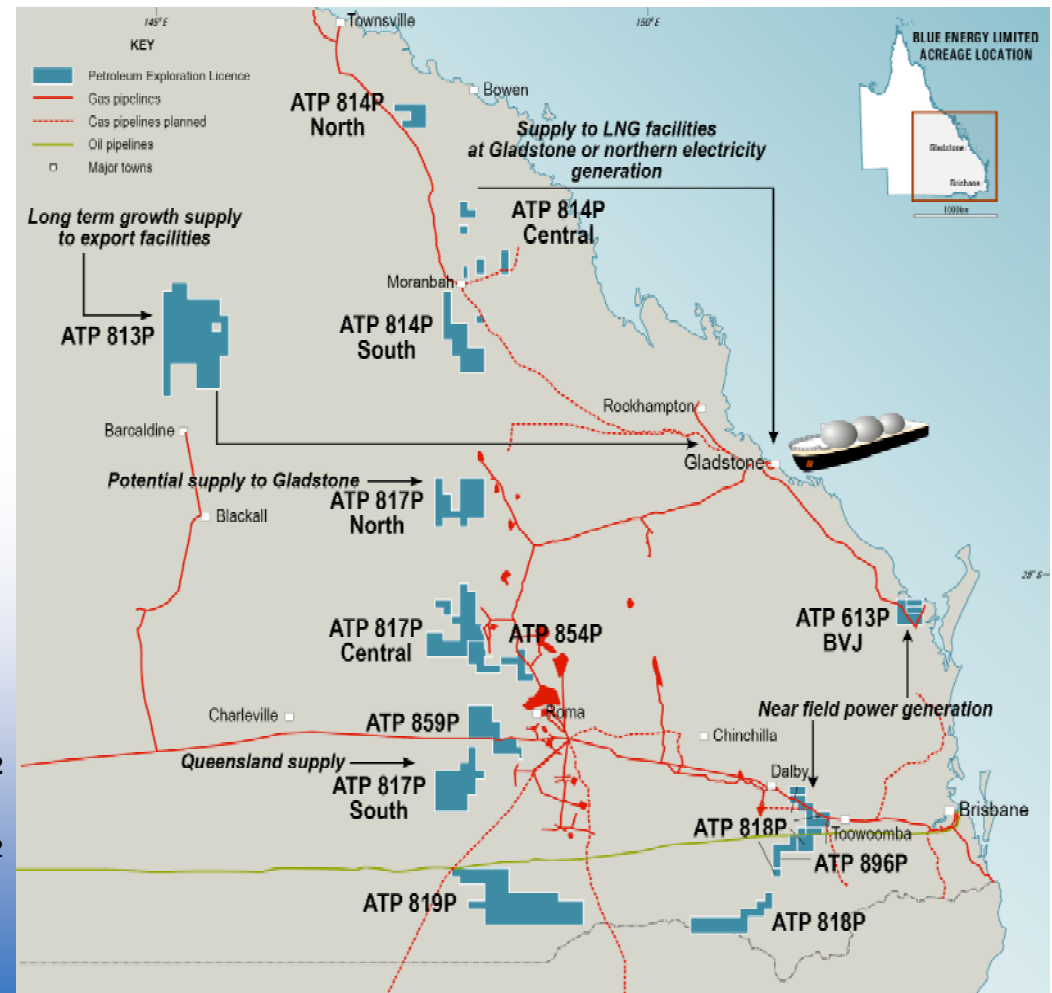
ANZ Nominees 20.3%

Stanwell 15.4%

Coal Seam Gas Acreage 27,577km<sup>2</sup>

Conventional Acreage 71,574km<sup>2</sup>

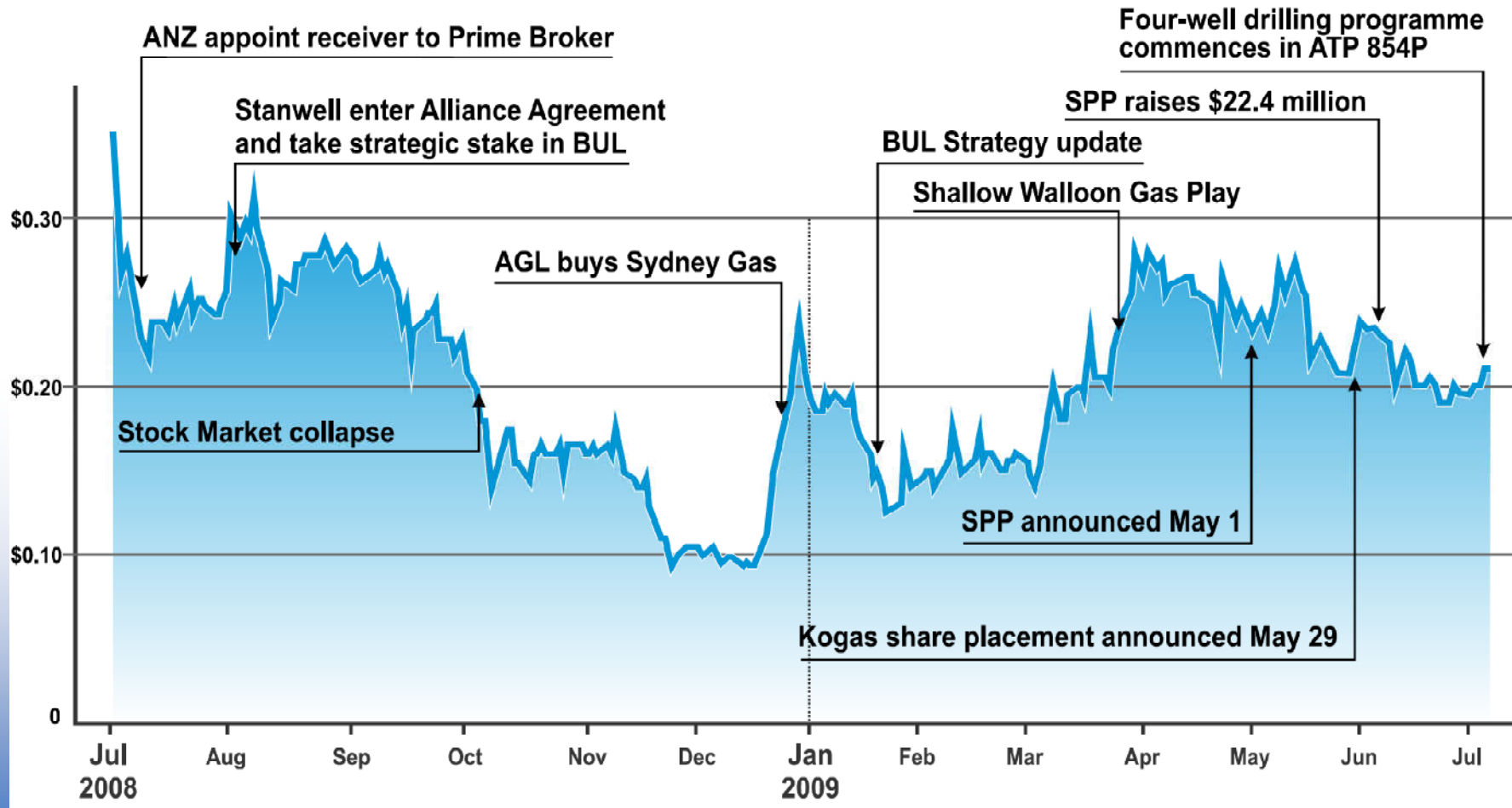
\* as at 9 June 2009 post SPP

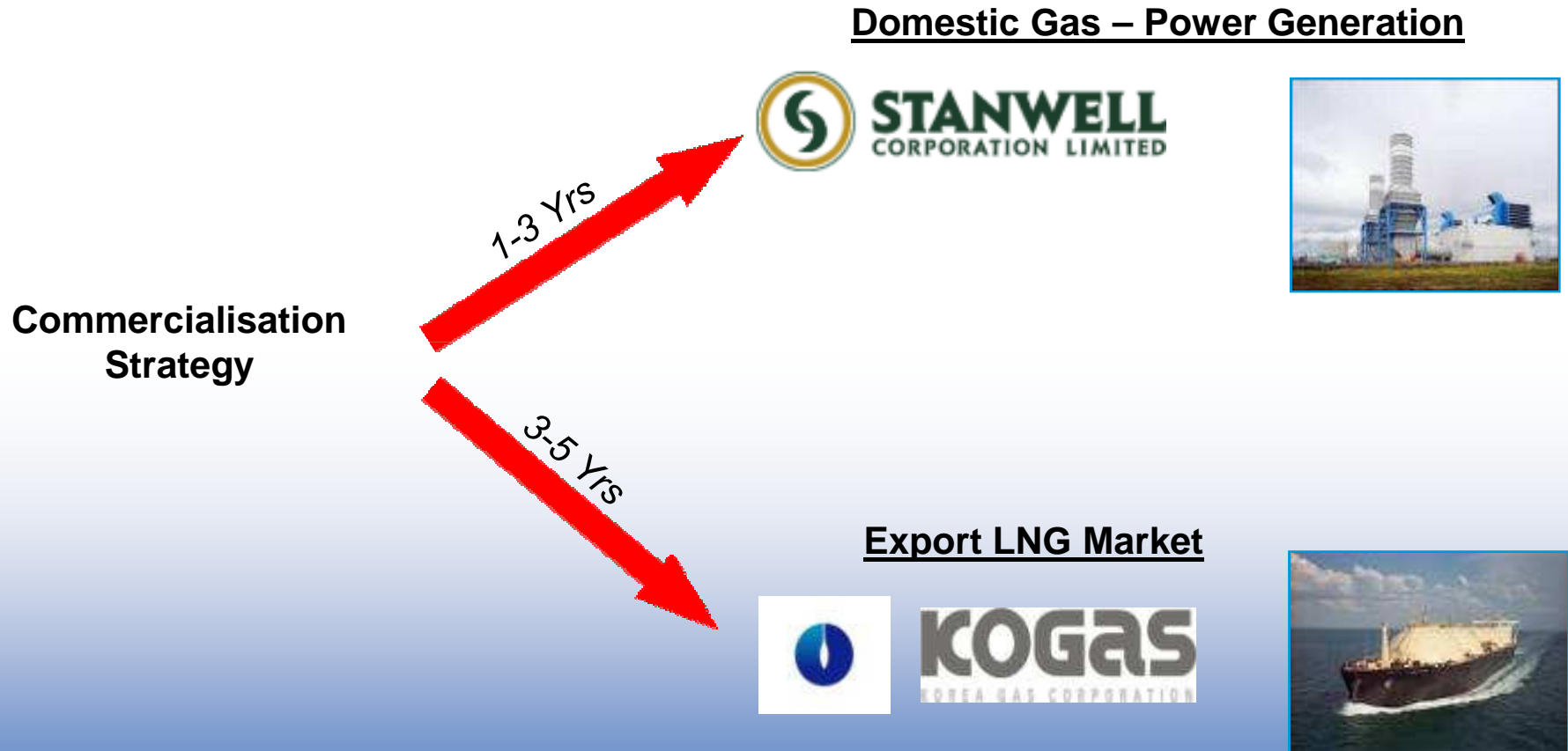




# BLUE ENERGY Corporate History

- **Nov 2004:** Blue Energy commenced as a private petroleum exploration company with assets in several producing Australian Basins.
- **Feb 2006:** Energy Investments Ltd (EIV) invested in Blue Energy and gained control.
- **May 2007:** EIV changes name to Blue Energy Ltd.
- **Jul 2007:** CVC becomes cornerstone investor with the acquisition of 87.3 million shares (19.9%).
- **Sept 2007:** Successful A\$34.6 million capital raising.
- **Jul 2008:** ANZ Bank appointed Receiver to Primebroker Securities took control of 113million Blue Energy Shares under margin lending security. The Receiver is working with Blue Energy on orderly sale of share block and has nominated a Board representative.
- **Aug 2008:** Stanwell acquired a 19.9% stake in the company from CVC and gained Board representation and executed Alliance Agreement to facilitate Gas Sale Agreement.
- **Sep 2008:** Peter Cockcroft appointed Chairman and embarked on a strategic review and cash preservation project.
- **Nov 2008:** New Corporate mission developed.
- **Nov 2008:** Application made (APPL 330) in PNG for inshore acreage adjacent to existing PPL's.
- **Mar 2009:** John Phillips joined the company to initially restart a reserve certification program.
- **Mar 2009:** Extension of \$3.0m 25 cent convertible notes to 31 March 2010.
- **May 2009:** Drilling rig contracted to drill 3 core wells in ATP854P to commence Q309.
- **May 2009:** Share Purchase Plan raises \$22.3 million and adds 1685 new shareholders to the register.
- **June 2009:** Blue executes HOA with KOGAS for placement of Blue shares to KOGAS for a 10% stake in Blue Energy and an option to farm in to ATP 813 and 814P. Kogas and Blue Energy Boards approve placement.

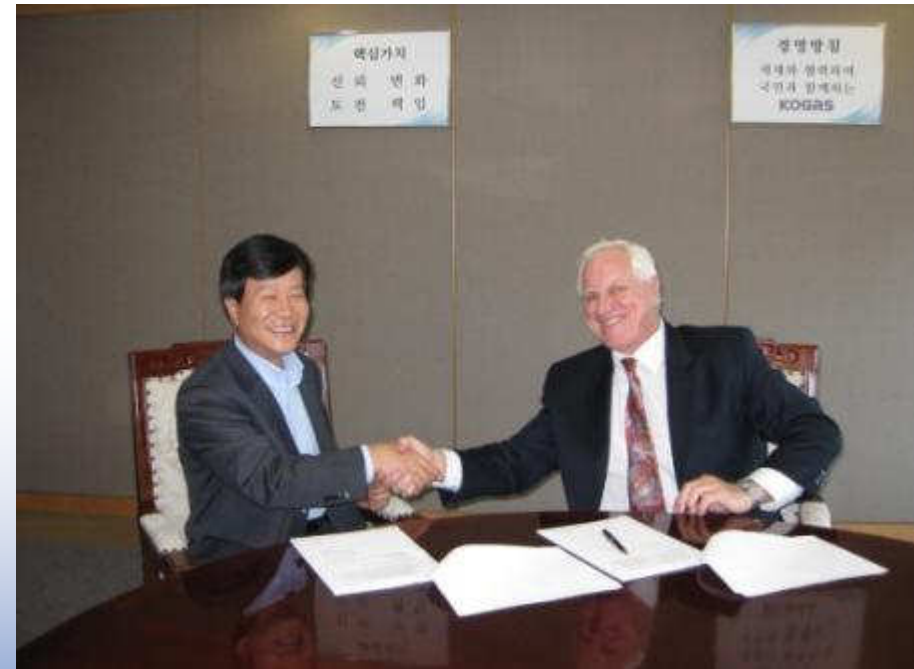






- Korean State owned gas company.
  - World's largest LNG Importer (26.3 mt in 2008).
  - 3 LNG Receiving terminals (2.7 mt storage).
  - Large gas transmission network.
  - Sales Gas volumes 1,350 PJ/annum.
  - 2008 revenue = A\$24 billion.
  - 10% equity in Blue Energy through private placement.
  - Farm – in option in ATP 813/814P.
- Qld Government Owned Corporation.
  - Generation capacity in excess of 1,500 MW of electricity.
  - Both Hydro (4 sites) and thermal generation (3 sites) .
  - 360 employees.
  - \$540 million revenue 2007-08 FY.
  - Blue Energy's 2<sup>nd</sup> largest shareholder and has a Board member.
  - Alliance agreement on ATP 854/817 to supply 212 PJ of gas over 25 years.

- HOA agreement reached between KOGAS and Blue Energy on 29th May 2009.
- Blue will make a private placement of Blue shares to KOGAS representing 10% of Blue Energy stock post SPP allotments.
- A Board position will be offered to KOGAS.
- The share placement agreement has received both KOGAS and Blue Board approval.
- Once executed the SPA also gives KOGAS the option to farm into ATP 813 and 814P.
- Kogas is seeking FIRB approval of the transaction.



Blue Energy Executive Chairman Peter Cockcroft and Kogas Vice President LNG Procurement Mr Y S Park execute the HOA in Seoul

### Stanwell Alliance

- Agreement reached between Stanwell and Blue Energy in August 2008.
- Blue Energy to supply 8.5 PJ per annum to Stanwell over 25 years for gas fired power project.
- Blue Energy's funding requirement is through to initial certification of reserves, with Stanwell funding development and production activities.
- In conjunction with the agreement to supply gas, Stanwell took an initial 19.9% equity stake in Blue Energy.
- Stanwell has a position on the Board of Blue Energy

### SHORT TERM STRATEGY - DOMESTIC GAS (1 – 3 Years)

- Focus on shallow Walloon Coal Measures to supply to the expanding Southeast Queensland gas market with initial drilling / pilots in ATP 854P.
- Leverage the Stanwell Alliance Agreement in the reserve certification process.
- Assess the Walloon Coal Measures in ATP 818P and ATP 896P.
- Potential reserves in ATP 814P could be utilised either for power generation in the area around Moranbah or export.

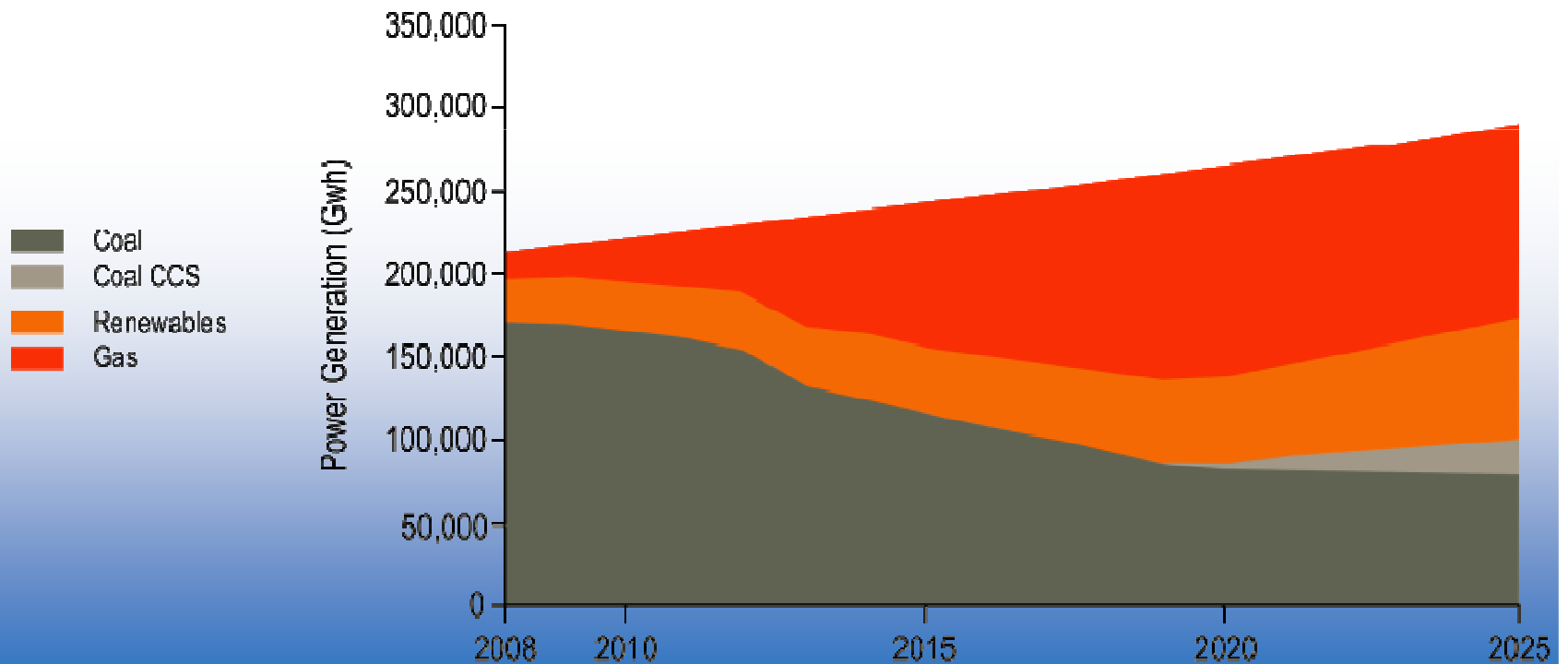
### MEDIUM TERM STRATEGY - EXPORT MARKET (3 – 5 Years)

- ATP 813P is potentially the “Company Maker” with large Gas In Place estimates.
- Aggressive core hole and pilot well program in ATP 813P in the Galilee Basin.
- Establish pilot production and export grade reserve base.
- Augment ATP 813P export volumes with concurrent exploration/appraisal and reserves growth program in ATP 814P targeting the Rangal, Fort Cooper and Moranbah sequences.

### GAS IS THE FUEL OF THE FUTURE

- Eastern Australian generation growth forecast to be fuelled by gas.
- Decline in coal fired generation from CPRS.
- Renewable energy growth not forecast until 2018.

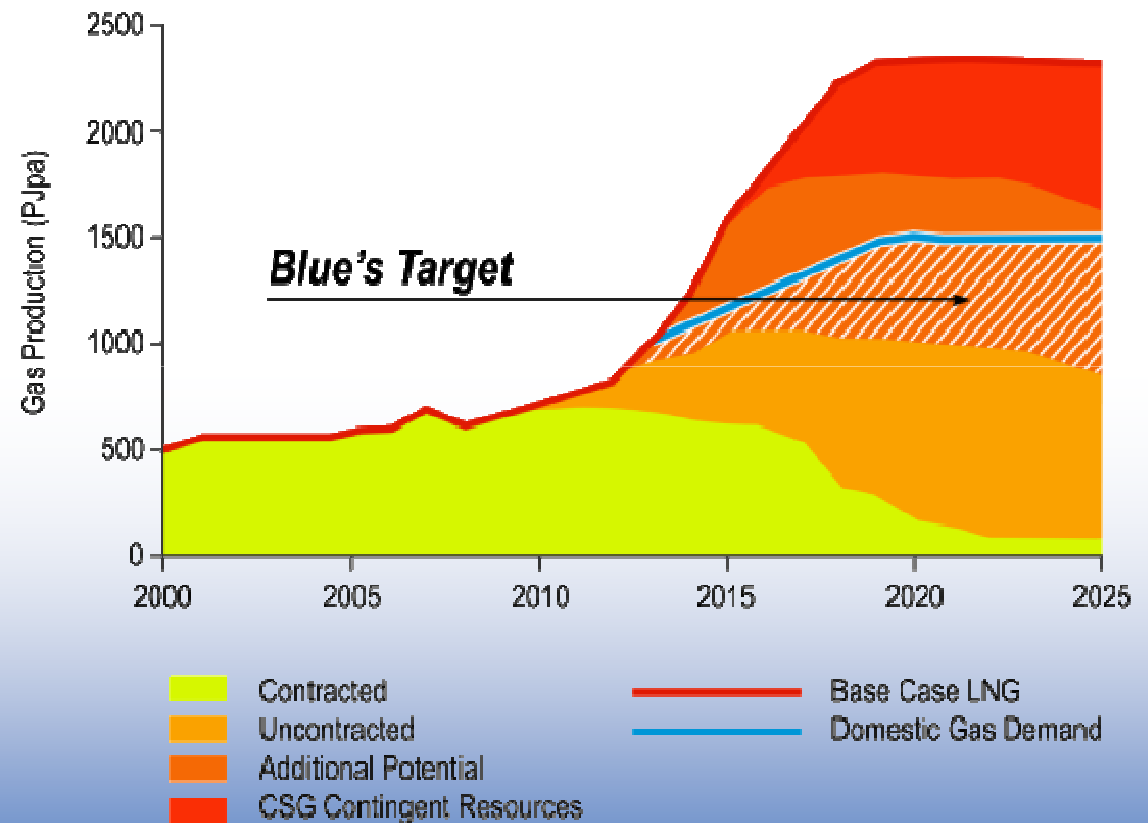
**BASE CASE GENERATION OUTPUT BY FUEL (2008-2025)**



Source: Wood Mackenzie 2009

With a base case LNG assumption, “additional potential” is required to meet the supply gap post 2016 given the contingent CSG resources are proved up.

**EASTERN AUSTRALIA BASE CASE SUPPLY/DEMAND OUTLOOK (2008-2025)**



Source: Wood Mackenzie 2009

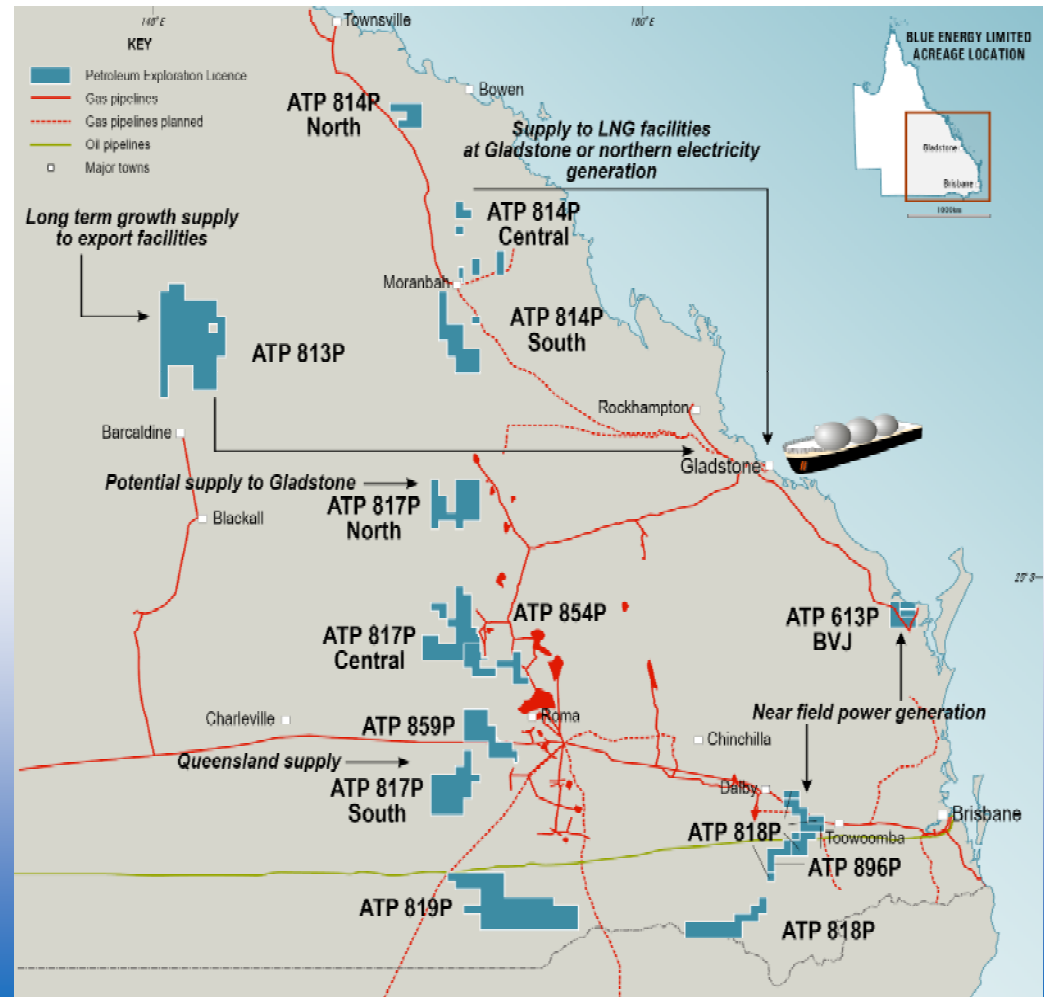
Blue Energy is currently initiating drilling programs to move current Prospective and Contingent Resource to Independently Certified Reserves to fast track the pathway to revenue:

## Domestic Gas (1 - 3 Years)

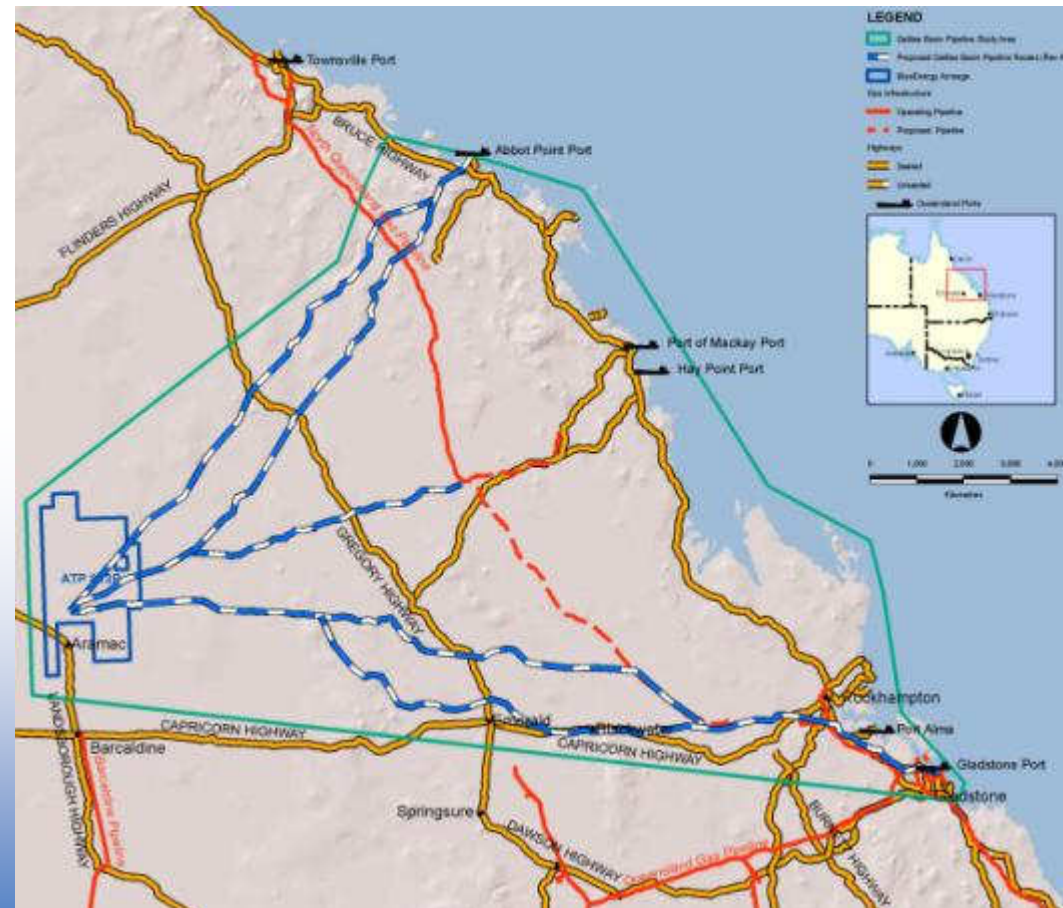
- **ATP 854P (BUL 100%)**  
Targeting the Walloon Coal Measures
- **ATP 818P/896P (BUL 100%)**  
Targeting the Walloon Coal Measures
- **ATP 814P (BUL 100%)**  
Targeting the Fort Cooper, Rangals and Mooranbah Coal Measures

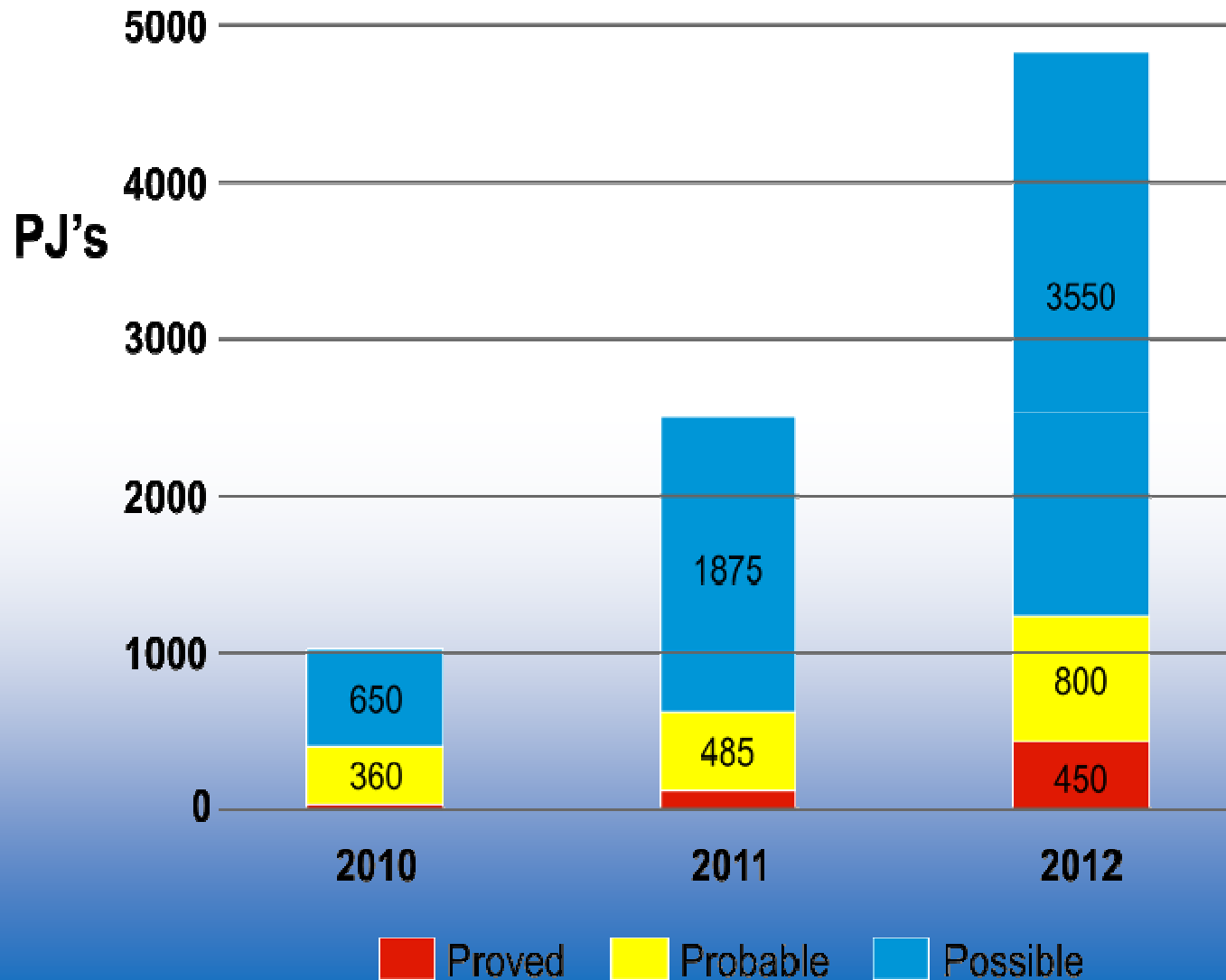
## Export LNG (3 – 5 Years)

- **ATP 813P (BUL 100%)**  
Targeting the Betts Creek Coal Measures
- **ATP 814P (BUL 100%)**  
Targeting the Fort Cooper, Rangals and Mooranbah Coal Measures



- Blue has commissioned a pipeline route study from ATP 813 P to the Queensland Coast.
- Route options include Abbot point and Gladstone, with additional option to connect to a potential Moranbah hub.







# BLUE ENERGY Schedule of Activity

Permit	Target 3P	Cost Estimate	Activity	2009		2010				2011			
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>ATP 854P</b> Walloons	150PJ	\$1.5MM \$2.0MM	Coreholes (3) Pilot Certified Reserves GSA Development	■		■	■	●	■				
<b>ATP 818 / ATP 896P</b> Walloons	200PJ	\$2.0MM \$2.0MM	Coreholes (3-5) Pilot Certified Reserves GSA Development		■	■		●	■	■			
<b>ATP 814P</b> Permian	200PJ	\$3.0MM \$5.0MM	Coreholes (3) Pilot Certified Reserves GSA Development			■	■		●	■	■	■	
<b>ATP 813P</b> Permian	500PJ	\$8.0MM \$7.0MM	Coreholes (10) Pilot Certified Reserves GSA Development			■	■		■	●	■	■	■

Blue Energy has the ingredients to become a billion dollar company:

- Adequate funding
- Competent and experienced management
- Focused strategy and activities
- Diverse portfolio
- International Credibility (with Kogas investment)
- Appropriate strategic partners

**THANK YOU**