



# BLUE ENSIGN TECHNOLOGIES LIMITED

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Dear Shareholder,

Over the past year, the Board and Management of Blue Ensign has continued its efforts to commercialise the Rendall Technology and realise the potential of its oil shale interests in Queensland.

International interest in oil shale development has increased markedly during the past year, and, for the first time in several decades, is being taken seriously as concern increases as to probable declining productive capacity of conventional oil. This is particularly evident in energy deficient countries such as China and Jordan. And significantly, in North America companies with oil shale resources are beginning to place values on their resources as a basis for raising capital, highlighting the potential value of Blue Ensign's Julia Creek tenements.

In July of this year the Company's CEO, Dr Darryl Smith, and our London based Financial Advisor, Mr Siddarth Amin visited Jordan at the invitation of the Jordanian Government to give a presentation on the Rendall Process to the National Resources Authority. At the conclusion of this visit, the NRA invited BLE to put on a workshop later in the year to introduce our technology to companies with oil shale interests in Jordan and to potential investors. Jordan has no indigenous oil or gas and is therefore actively encouraging development of its very large oil shale resources.

This workshop was held at the end of November with presentations from Blue Ensign's Technical Manager, Mr Amin and, as mentioned below, by a senior engineer and Director of Hatch, Mr Sandeep Dalvi. The workshop was opened by NRA's Director General, Dr Maher Hijazin.

Considerable interest was evident from the approximately 40 attendees to the workshop and the lengthy technical discussions which resulted from the presentations.

## 1. Technology development

Notwithstanding limited working capital, the Company's engineers have progressed work on process design for the Demonstration Plant.

In addition, the Company has obtained the services of the leading international engineering company with expertise in oil shale, Hatch in Calgary, Alberta, who in October were commissioned to prepare a preliminary evaluation report on the Rendall Technology. This report is currently being finalised, but in November Mr Dalvi, the author of the report, gave a presentation at the Jordan workshop and stated, inter alia, that there were no "show stoppers" to the development of the Rendall Process and that it offered the following substantial advantages compared with existing processes:

- Higher production capacity in single train
- Higher oil yield and lower cost per barrel of oil produced
- Better quality oil – The h-donor solvent readily imparts its hydrogen to upgrade the product oil.
- Lower environmental impact – lower CO<sub>2</sub> emissions, smaller foot print, lower water requirement.

They noted, however, that a number of technical issues could not be fully resolved prior to the building and operation of the demonstration plant.



2. Financial and fund raising

The Company's London-based Financial Advisors, Cavendish Capital Partners, are continuing discussions with parties who have expressed interest in possible financing of the demonstration plant, and with identifying other potential investors.

Progress in obtaining funding has been slow due to the global financial crisis and its aftermath, but is expected to improve due to the factors discussed above.

In the meantime, the Company suffers from a critical shortage of working capital, and is currently being financed by loans from Directors and other parties.

The Directors remain confident that Blue Ensign has the potential for major success, providing its short term funding problems can be solved.

Yours sincerely,

John M. Blumer

Chairman