



BLUE ENSIGN TECHNOLOGIES LIMITED

ABN 91 086 332 836

Operations Office:
Level 3, 80 Arthur Street
North Sydney NSW 2060

Telephone (02) 9977 3199
Facsimile (02) 9954 4011

Registered Office:
Suite 202, Angela House, 30-36 Bay Street
Double Bay NSW 2028

Telephone (02) 9363 5088
Facsimile (02) 9363 5488

1 May, 2012

Dear Shareholder,

During the past year the Company's efforts have been concentrated on continuing technical development of the Rendall Process and on raising the funds required to take it to commercialisation.

International interest in oil shale development has continued to increase during 2011 – 2012 with a number of projects in USA, China, Estonia, Jordan and Australia under development. These projects all utilise retorting technologies which do not offer the same potential benefits in yield, resource utilisation, scalability and environmental impact as the Rendall Process. They all of limited size and will require multiple trains to produce oil at fully economic rates.

Nonetheless, the development of these projects is indicative of the growing interest in the development of oil shale resources to produce synthetic crude oil as a viable alternative to the dwindling availability of inexpensive and secure supplies of traditional crude oil. While oil prices remain firm around \$100 per barrel, this situation is not expected to change

The development of these projects has had the flow-on effect of increasing the value of in ground oil shale resources across the world. Over the year, there have been some significant acquisitions of oil shale resources announced including the acquisition of the OSEC deposit in Utah by Esti Energy of Estonia for around US\$40 million.

Most importantly, the successful listing of TomCo Energy plc on the London AIM effectively values its US oil shale resources at about USD 0.30 - 0.40 per recoverable barrel. Although any such comparisons must be treated with caution, if this were applied to the indicated resources of 850 MMbbl oil (Fischer Assay) with the company's Julia Creek deposit in Queensland, then it would imply values of **\$250-350m**.

In other recent news, Red Leaf, a US based company which has developed the EcoShale retorting technology has just announced a JV with an oil supermajor (Total, we believe) for its first commercial plant. This could lead to existing holders of EcoShale licences gearing up to utilise their licences. This could in turn provide the impetus for further rises in oil shale valuations.

In separate news, Questerre Energy (a small CAD 170m Calgary company specialising in unconventional oil and gas) has invested USD 40m in Red Leaf implying a valuation for Red Leaf of USD 667m.

Blue Ensign's Julia Creek deposit has around 895 million barrels of JORC-compliant indicated and inferred oil resources (Fischer Assay) following an extensive exploration by several major companies over the past 35 years. The deposit is therefore one of the most comprehensively evaluated of any oil shale deposits in the world.

Once the viability of the Rendall process has been established, these contingent oil resources can be upgraded to the status of 1.5 to 2 billion barrels of probable and possible reserves, thus enabling the monetisation of the resource. Julia Creek is located away from environmentally sensitive residential and farming areas, is located near existing road and rail infrastructure, and can be developed at low mining cost.

The Company advises that several parties have expressed an interest to acquire a direct interest in the Julia Creek tenements, but to date no acceptable offer has been received.

As previously reported, in late 2010 the Company retained the services of the world's leading specialist engineering company with expertise in oil shale processing, Hatch from Canada, to carry out a preliminary evaluation of the Rendall Process. Hatch concluded that the Rendall Process has

inherent benefits in comparison with other existing and emerging oil shale processes. Hatch further recommended that Blue Ensign should pursue a more targeted and cost effective development program than the 1 tph development plant costing \$50m previously being considered.

In conjunction with major Australian and International development companies, the Company has developed a revised development program which will cost around \$8 million and be completed over an 18 month period. Hatch has advised that a successful program could well justify a first Rendall plant much larger than the small demonstration plant previously conceived and may well generate modest financial returns. The revised work program is expected to generate a round of new patent applications and is expected to also bring forward the opportunities for licensing income for Blue Ensign, earlier than previously expected.

In conjunction with the Company's London-based financial advisers, Cavendish Capital Partners, revised investor presentations have been prepared to seek funding for the \$8 million development program. Investor packages are currently being distributed to potentially interested parties in USA, Canada, Europe, UK, and the Middle East and discussions are in progress with several interested parties. The Company is also in discussion with several parties in Australia who have expressed interest in funding the above development program with possible ongoing investment.

There is an encouragingly high volume of work in hand in terms of the number of investor targets identified and the number of ongoing dialogues. The Directors are increasingly confident that financing will be in place in the near future.

In order to improve communication with our shareholders, the Company is currently undergoing a major update of its website and this should be completed within the next few weeks.

Yours sincerely

John M. Blumer
Chairman