

5 September 2023

Operational and Company Update

Blue Energy Limited (ASX: BLU, 'Blue') is pleased to report on certain corporate matters and operations at its Sapphire Pilot Well production testing project in the Sapphire Block in ATP 814 (PLA 1034).

Research and Development Claim

As forecast in the June 30 Quarterly report (released to the market 31 July 2023) an initial R&D claim representing Sapphire Pilot drilling planning phase expenditure incurred in the 2021-2022 financial year was accepted by the ATO. Subsequent to the quarterly report Blue has received the sum of \$275,425 from the ATO as a rebate for Research and Development eligible activity expenditure. The second (and more substantive) R&D claim covering the larger quantum of drilling activity is being readied for lodgement with the ATO, as it requires the 2023 audited accounts to accompany the application.

Sapphire Pilot Testing

As announced on 31 July 2023, the Sapphire Pilot would be shut in to conduct a pressure build up and interference test. The pressure build up test commenced on 9 August 2023. Build up data has been acquired.

Dewatering recommenced on 26 August 2023 with all lateral gas production wells shut in. The plan is to continue the dewatering and open the laterals for resumption of gas production on or about 20th September.

Qld Government Bowen Basin Gas Pipeline Study – Phase 2 completed.

Phase two of the ongoing Bowen Basin Gas Pipeline Study funded by Government and managed by KPMG (with input from NSAI and GHD) was recently released by the Qld Department of Resources.

The key findings of this phase of the study are:

- Bowen Basin gas strengthens the resilience of the East Coast Gas Market.
- Development of Bowen Basin gas could address forecast East Coast gas shortfalls.
- Capture of mine methane, whilst currently challenging, would reduce the Basin's fugitive coal mine emissions .
- Development of Bowen Basin Gas would benefit the local Queensland economy and the national domestic and industrial gas supply as well as playing an important role in transitioning to a future low emissions energy network.
- That there is an opportunity for Government to support industry to enable the development of a pipeline that unlocks the Bowen Basin

The link to the Phase 2 study is:

https://www.resources.qld.gov.au/_data/assets/pdf_file/0007/1745584/bowen-basin-pipeline-study-phase-2-market-engagement.pdf

Environmental Defenders Office appeal of the Department of Environment and Science Environmental Approval

As referenced in the June quarterly activities report, the Queensland Department of Environment and Science (DES) confirmed its award of an Environmental Authority (EA) with standard conditions to Blue Energy for its proposed activities in ATP 814. Upon an objection from the environmental activist group, Lock the Gate, DES reviewed its internal assessment and review processes conducted on Blue's standard condition EA application. Having completed that review in July the DES confirmed that its internal processes were sound and its original decision to award Blue Energy its EA was justified.

Notwithstanding that proper process and decision making was undertaken by DES and that Blue's submissions for that process were sufficient to grant a standard condition EA, the Environmental Advocacy in Central Queensland Inc, a group we believe is linked to the Lock the Gate organisation engaged the Environmental Defenders Office (EDO) to lodge an appeal in the Qld Land Court regarding the decision by the Queensland Government (DES) to award the EA to Blue Energy.

Blue has been included as a party to the appeal by the EDO as Blue is an interested party being the beneficiary of the EA granted to it. Blue Energy is awaiting details of the position that the DES intends to take with respect to the matter, so that it can review of the implications of this appeal as it relates to the standard conditions EA, in terms of the basis (ie. specific issues) for the appeal, time frame for the appeal (hearings etc) and the level of legal representation and expert witnesses secured by DES for the appeal.

Once these details have been established, and the party lodging the Appeal has particularised the basis of its objections Blue will be in a better position to further inform the market as to the specific impact of Sapphire project timing.

Released by Authority of the Board per:

John Phillips
Managing Director
Blue Energy Limited