

1 July 2022

Blue on schedule to spud first well in North Bowen Pilot well drilling program today

Blue Energy Limited (ASX: BLU, 'Blue Energy', 'Blue' or 'the Company') advises that it expects to spud later today the first well (Sapphire 5V) in the Company's natural gas pilot well appraisal drilling program in ATP 814 (PL 1034 – Sapphire). The ATP814P permit in the North Bowen Basin is 100% Blue Energy owned and operated.

Barring any unforeseen delays, the Silver City Drilling rig #23 is expected to spud the Sapphire 5V well this afternoon.

The Sapphire 5V well will be drilled as a vertical well, designed to be the water aggregating and water producing well for the multiple lateral wells within the Sapphire 5 pilot well cluster. Each of the subsequent lateral wells to be drilled (up to 4 lateral wells in this program) will each be specific for a single coal seam (i.e., a single lateral will target a single specific coal seam and attempt to open 1000m of lateral section within the coal seam section prior to the lateral well intersecting the Sapphire 5V vertical well).

Geological control for the Sapphire 5V pilot cluster (vertical and lateral wells) has been obtained by the Sapphire 1 and Sapphire 2 core holes, drilled previously by Blue and the reprocessed 2D seismic data previously acquired (Figure 3). The Sapphire 5V vertical well will also provide additional geological control for the Sapphire 5 lateral wells to be drilled after Sapphire 5V.

The Sapphire 5V vertical well will be targeting the Rangal, Fort Cooper and Moranbah Coal Measures which contain multiple gas saturated coal seam package as seen in the existing core holes. There are up to 20 distinct and correlateable coal seams in the Sapphire Field which previous drilling by Blue has identified as having gas contents of up to 17 cubic metres/tonne of gas (in excess of 96% methane).

The Sapphire 5V pilot cluster is located approximately 2 kilometres from the Arrow Energy Moranbah Gas Project M257A gas development well (drilled by Arrow Energy in December 2021 – Figure 2).

Summary

- Blue Energy's first well in the Sapphire 5 pilot production cluster drilling program in ATP 814 spuds today
- Sapphire 5V is a vertical well designed to be a water aggregation and water production well to serve the Sapphire 5 lateral wells to be batch drilled following the Sapphire 5V vertical well in this program
- Blue has long term (10 year) gas supply agreements with Origin Energy¹ and Energy Australia² to supply up to 400 PJ of gas at Wallumbilla for the domestic market.
- Blue's North Bowen gas appraisal drilling program is designed to build the 2P gas reserve base and establish flow capacity to underpin the EnergyAustralia and Origin Energy gas supply agreements.
- The North Bowen Basin contains an estimated 30 years of domestic gas supply – some 15,000 PJ of gas resource, which has not yet been developed or connected to the east coast gas market for lack of a gas pipeline infrastructure.

1. See ASX release of 19/3/21

2. See ASX release of 3/12/20

- Blue is ready to develop its gas resources for the domestic market and together with its 400PJ of gas supply agreements in place for the domestic gas market, has a further 2,500 PJ⁺ of gas resources in the North Bowen Basin which remain uncontracted.
- Blue has pending PL applications and granted PCA with Government to allow development and production of its gas reserves and resources in the North Bowen Basin.

North Bowen Drilling Program: The aim of the North Bowen drilling program in ATP 814 is to convert existing contingent gas resources to gas reserves from the existing inventory of resources situated in the PL 1034 area (Sapphire Block) of ATP 814P.

The PL 1034 area is immediately adjacent to the Moranbah Gas Project which is currently a producing field operated by Arrow Energy (see Figure 1). The application for PL 1034 is currently with the Queensland Government for the issue of the Production Licence (PL). Blue Energy is 100% owner and operator of ATP 814P and the PL 1034 application area.

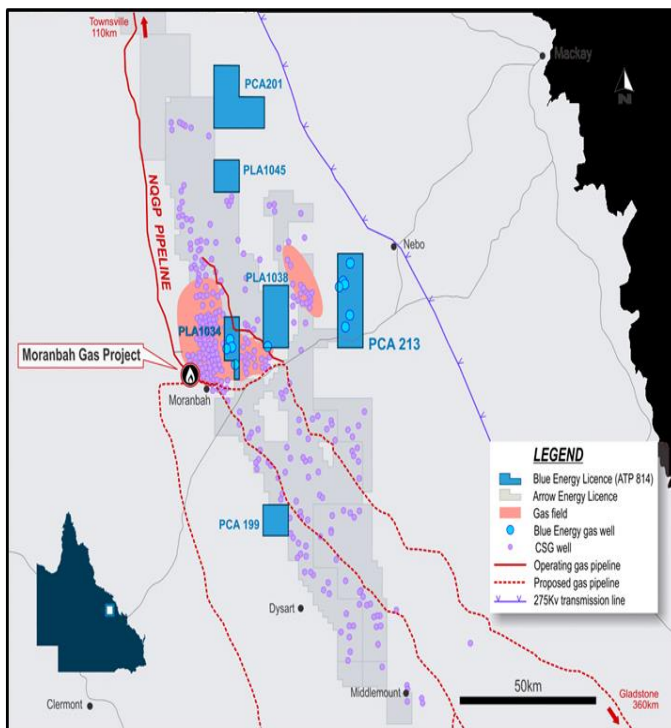


Figure 1

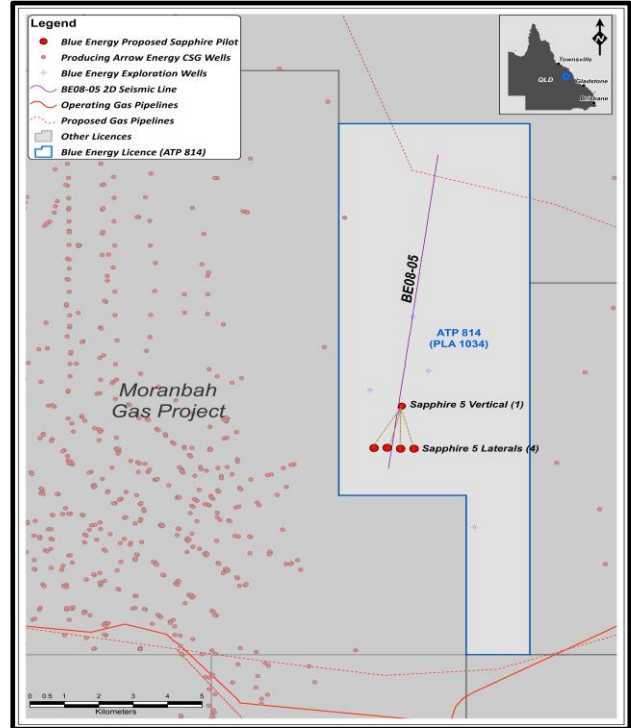


Figure 2

Figures 1&2: Blue Energy acreage position in the North Bowen (Figure 1) and the location of the PL 1034 area to existing production (Figure 2)

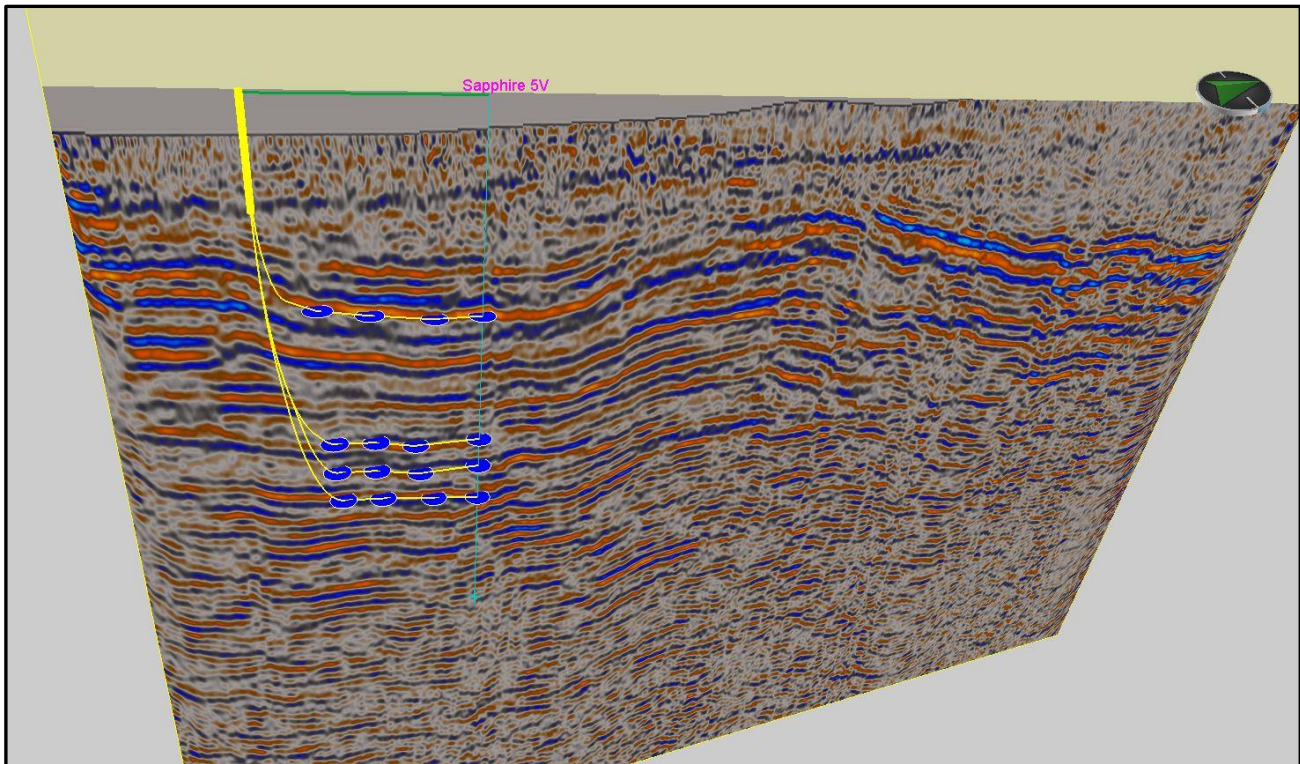


Figure 3: Blue Energy reprocessed seismic line BE08-05 (see line location in fig 2 above) Showing proposed multiple lateral well paths intersecting Sapphire 5V vertical well

As previously announced to the market, ATP 814 currently has 2P reserves of 71 PJ⁺ and 3P reserves of 298 PJ⁺ (as independently certified by NSAI) allocated to it. There is also significant upside within the constituent blocks comprising the permit with a combined 3,248 PJ⁺ of Contingent Resources in all the area held by the Company's ATP814 granted Potential Commercial Area (PCAs) and PL applications, as estimated by NSAI. There is also additional upside in the Prospective Resources category in the ATP 814 permit of approximately 2,000 PJ of gas in place.

Table 1: Blue Energy Reserves and Resources Table

Permit	Block	Assessment Date	Announcement Date	1P (PJ)	1C (PJ)	2P (PJ)	2C (PJ)	3P (PJ)	3C (PJ)
ATP854P		22/01/2022	25/01/2022	-	90	-	194	-	398
ATP813P		29/10/2014	30/10/2014	-	-	-	61	-	830
ATP814P	Sapphire	31/12/2012	26/02/2013	-	66	59	108	216	186
ATP814P	Central	21/12/2012	19/03/2013	-	50	12	99	75	306
ATP814P	Monslatt	31/12/2012	19/03/2013	-	-	-	619	-	2,054
ATP814P	Lancewood	30/09/2013	30/10/2013	-	5	-	23	1	435
ATP814P	Hillalong	27/02/2020	27/02/2020	-	-	-	182	-	237
ATP814P	South	30/06/2013	29/07/2013	-	15	-	27	6	30
Total (PJ)				-	226	71	1,313	298	4,476

***Listing Rule 5.42 Disclosure**

The estimates of Reserves and Contingent Resources noted throughout this Quarterly Activities Report have been provided by Mr John Hattner of Netherland, Sewell and Associates Inc (NSAI) and were originally reported in the Company's market announcements of 25 January 2012, 26 February 2013, 19 March 2013, 8 December 2015, 28 February 2019 and 22 January 2022. NSAI independently regularly reviews the Company's Reserves and Contingent Resources. Mr Hattner is a full-time employee of NSAI, has over 30 years of industry experience and 20 years of experience in reserve estimation, is a licensed geologist and a member of the Society of Petroleum Engineers (SPE), and has consented to the use of the information presented herein. The estimates in the reports by Mr Hattner have been prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum and Resource Management System (PRMS) approved by the SPE, utilising a deterministic methodology.

Blue Energy confirms that it is not aware of any new information or data that materially affects the information included in any of the announcements relating to ATP 813, 814 or 854 referred to in this report and that all of the material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

⁺⁺ Listing Rule 5.28.2: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

By Authority of the Board per:

John Phillips
Managing Director
Blue Energy Limited