

30 August 2022

Operational Update

Blue commences drilling horizontal sections in the Sapphire 5 L pilot wells in the North Bowen drilling campaign

Blue Energy Limited (ASX: BLU, 'Blue') is pleased to report that the build sections of each of the 4 Sapphire 5L pilot wells are complete and Silver City Drilling Rig #23 has now commenced the "in seam" horizontal drilling phase for the four Sapphire 5L wells in ATP 814 (PL 1034 – Sapphire Block).

The batch drilling process, enables maximum efficiency of the directional drilling services, rig moving and sees the *build section* (see Figure 1) of each of the Sapphire 5L pilot wells (L1-L4) drilled in sequence with the 1000m in seam *horizontal sections* (see Figure 1) batch drilled immediately following the completion of the build sections in sequence for the all Sapphire 5L wells (L1-L4)

The rig has now moved back over the Sapphire 5L1 well and has commenced geosteering of the horizontal well section to intersect the already drilled vertical well Sapphire 5V.)

Current activity

- Silver City Drilling Rig #23 is currently back on the Sapphire 5L1 Pilot well location and is at a depth of 730 metres and drilling the 1000 metre horizontal (in-seam horizontal) section to intersect the Sapphire 5V vertical well

Drilling summary to date

- Sapphire 5V vertical well drilled to 850 metres total depth and cased and suspended and awaiting intersection of the 4 horizontal well sections then completion as a water producer.
- Sapphire 6V vertical well drilled to 900 metres total depth and cased and suspended and awaiting intersection of the 4 horizontal well sections then completion as a water producer.
- Sapphire 5L1 Pilot well build section drilled and cased to 727 meters with 7" casing
- Sapphire 5L2 Pilot well build section drilled and cased to 595 metres with 7" casing
- Sapphire 5L3 Pilot well build section drilled and cased to 377 metres with 7" casing
- Sapphire 5L4 Pilot well build section drilled and cased to 349 metres with 7" casing

Up Coming activity

- Rig #23 will now drill the "in seam" section for all four Sapphire 5 Pilot wells (L1, L2, L3 and L4) with the aim that each of these horizontal sections intersects the Sapphire 5V vertical well drilled at the very commencement of this current program.

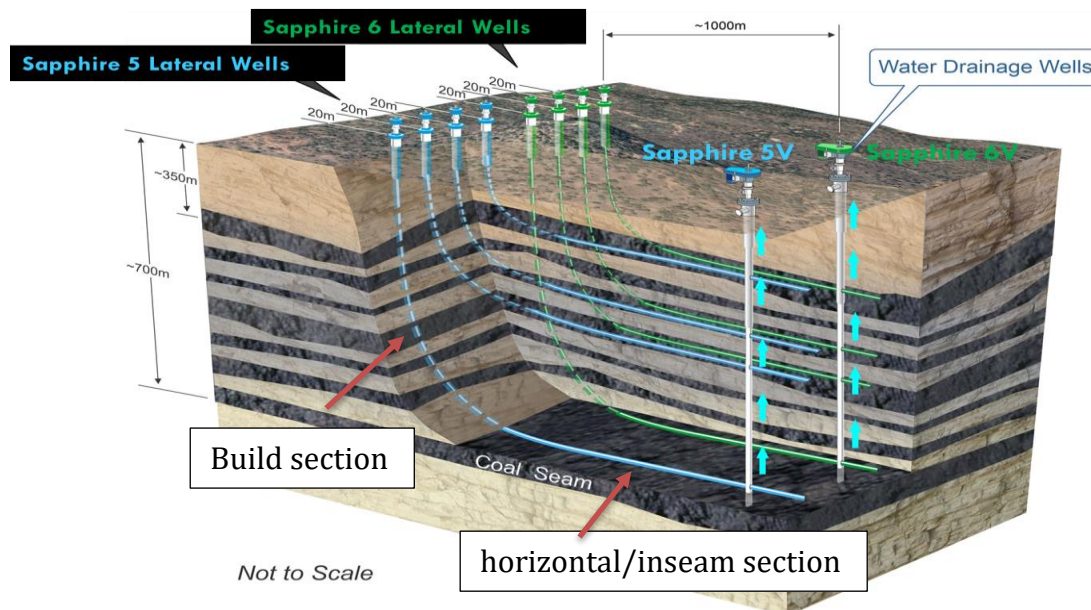


Figure 1: Schematic of Sapphire 5 and 6 pilot well configuration

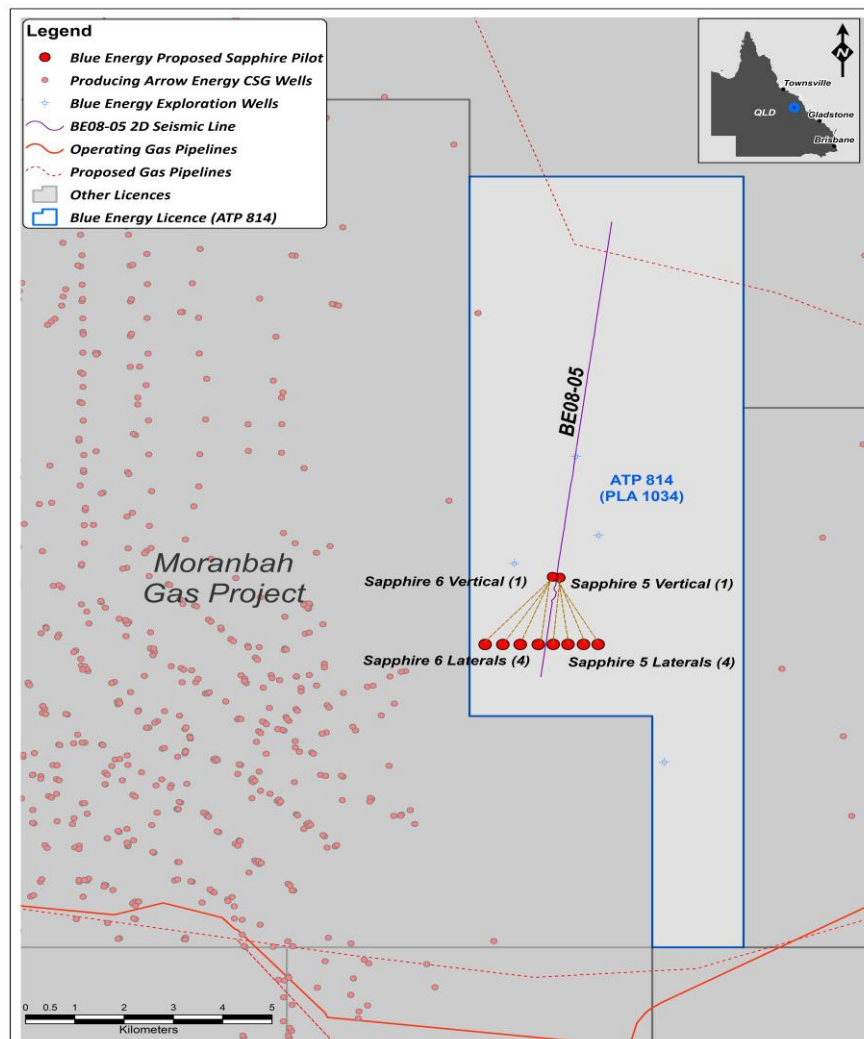


Figure 2: Plan view of Sapphire 5 and 6 Pilot well locations

The pilot well sets incorporate up to 4 separate horizontal wells each accessing individual coal seams and are designed to intersect a single vertical well (see figures 1 and 2). The vertical

well acts as the water producer for the lateral wells, with the horizontal wells able to meter and measure the gas flow from each individual coal seam, to allow better allocation of seam specific reserves.

The planned sequence of drilling of the Sapphire 5 lateral wells (S#5 L1-L4) involves drilling the vertical and build sections of each pilot well first (now complete) and then mobilising the specific geo-steering directional drilling crews to drill the in seam horizontal sections (up to 1000 metres) for each of S#5 L1 through S#5 L4 in sequence. Utilising this method secures better efficiency of the directional drilling resources, given the pilot wells are each located on a common surface drill pad.

Released by Authority of the Board per:

John Phillips
Managing Director
Blue Energy Limited