

2 August 2022

Operational Update

Blue moving to first of lateral well in North Bowen drilling campaign

Blue Energy Limited (ASX: BLU, 'Blue') advises that the Sapphire 6V vertical well in ATP 814 (PL 1034 – Sapphire Block) has reached total depth of 900 metres, acquired wireline logs and run production casing to total depth.

Sapphire 6V intersected 44 metres of net coal with strong gas shows. This is in line with the results of the Sapphire 5V well, which, as previously reported, encountered 45 metres of net coal.

The rig has now moved to the Sapphire 5L1 location (the first lateral well location for the Sapphire 5 pilot well set). Sapphire 5L1 is expected to spud on Wednesday 3rd August. This well will target the Goonyella Upper coal seam and aims to drill 1000 meters laterally in that seam and intersect the Sapphire 5V vertical well, which was recently drilled as the first well in the North Bowen Basin pilot program by Blue Energy.

The pilot wells sets incorporate up to 4 separate lateral wells each accessing individual coal seams and designed to intersect a single vertical well (see figures 1 and 2 below). The vertical well acts as the water producer for the lateral wells, with the lateral wells able to meter and measure the gas flow from each individual coal seam, to allow better allocation of seam specific reserves.

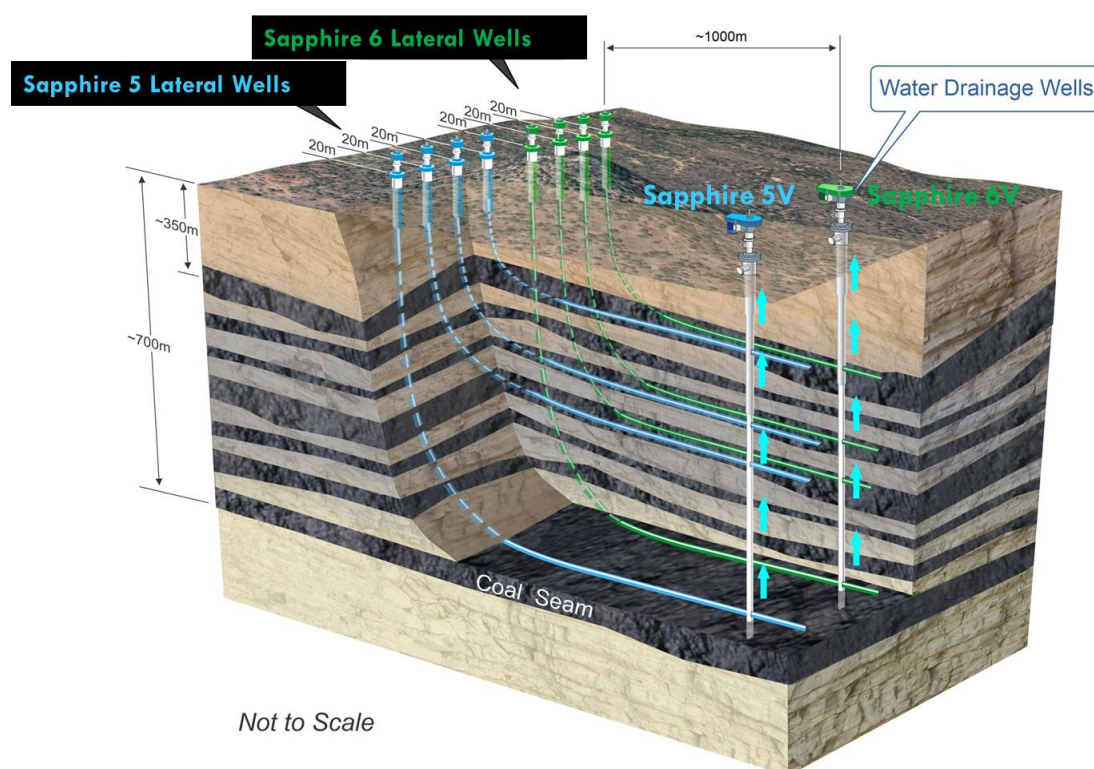


Figure 1: Schematic of Sapphire 5 and 6 pilot well configuration

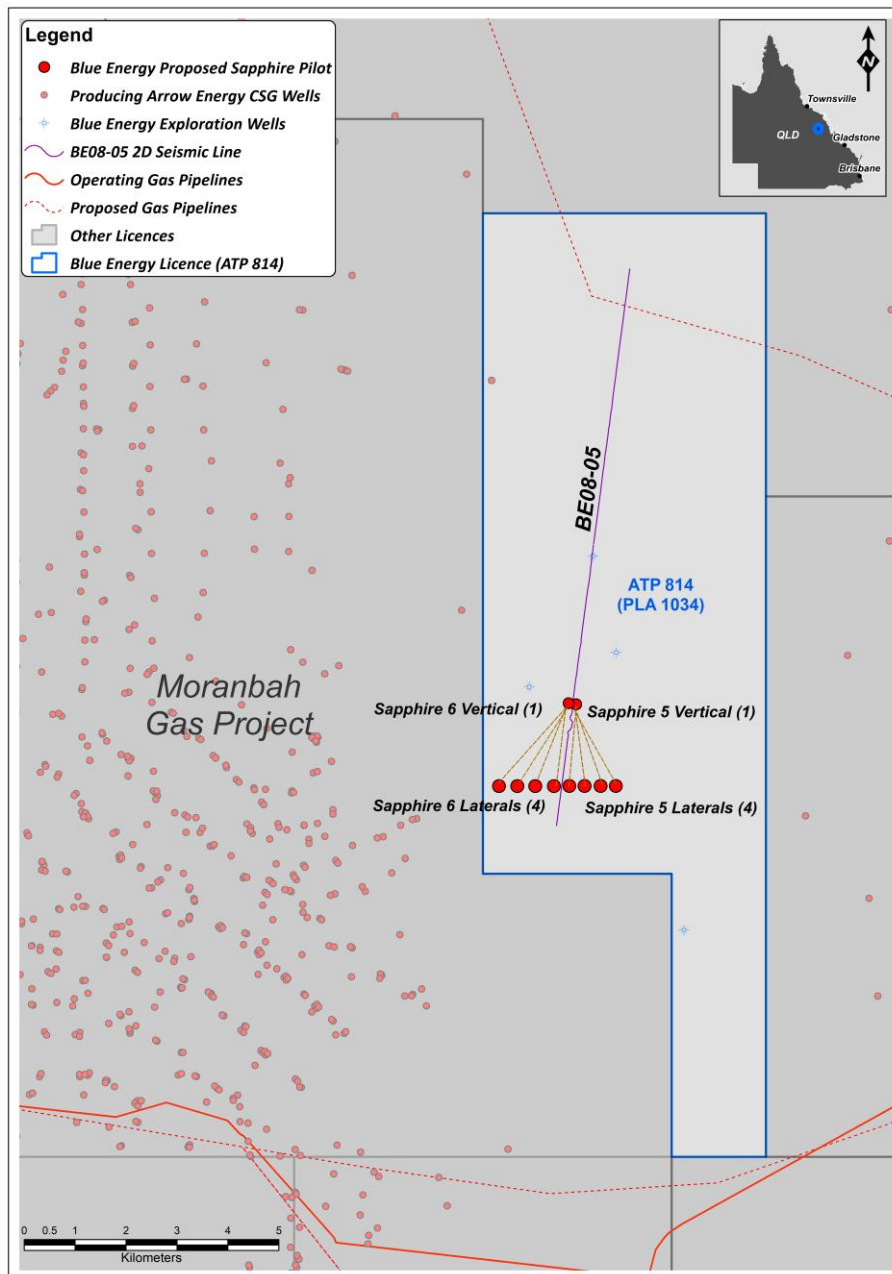


Figure 2: Plan view of Sapphire 5 and 6 Pilot well locations

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

The additional funding gained by the company last week allows the drilling of a duplicate set of lateral pilot wells in the Sapphire Block, which is designed to accelerate the depressurising of the target coal seams and hence accelerate the production of gas from these pilot wells.

Table 1: Blue Energy Updated Reserves and Resources Table at 14 July 2022

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	11/07/2022	11/07/2022	-	154.3	66.5	213.9	253.2	214.4
ATP814P	Central	5/12/2015	8/12/2015	-	50	12	99	75	306
ATP814P	Monslatt	5/12/2015	8/12/2015	-	-	-	619	-	2,054
ATP814P	Lancewood	5/12/2015	8/12/2015	-	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)				-	314	78	1,418	335	4,504
All numbers are net to Blue Energy									

Source: NSAI, Blue Energy.

***Listing Rule 5.42 Disclosure**

The estimates of Reserves and Contingent Resources noted throughout this ASX Announcement 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, 22 January 2022 and 14 July 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