

16 September 2022

Operational Update

Second Sapphire well hits target with 1,130 metres in seam

Blue Energy Limited (ASX: BLU, 'Blue') is pleased to report that operations on the Sapphire 5L2 lateral well (S#5L2 – and the second horizontal section in the pilot drilling campaign) have resulted in the drilling of over 1,100 metre horizontal “in seam” section of the program and this horizontal well section in S#5L2 has successfully intersected the Sapphire 5V vertical well, as planned.

The Sapphire 5L2 was geo-steered through a total of 1,130 metres of horizontal section in seam to intersect the Sapphire 5V1 vertical well. Notwithstanding this primarily successful result, whilst preparing to run the 3 ½” completion string, the drill string became stuck in the lower part of the horizontal section of the well. The decision was made, after making a number of attempts with the drill rig to retrieve the lower portion of the string, to move off location and onto the next well, Sapphire 5L3 and continue the horizontal drilling phase of the campaign. A lower cost and already contracted completion rig will be moved onto the Sapphire 5L2 well in the near future to retrieve the stuck drill string.

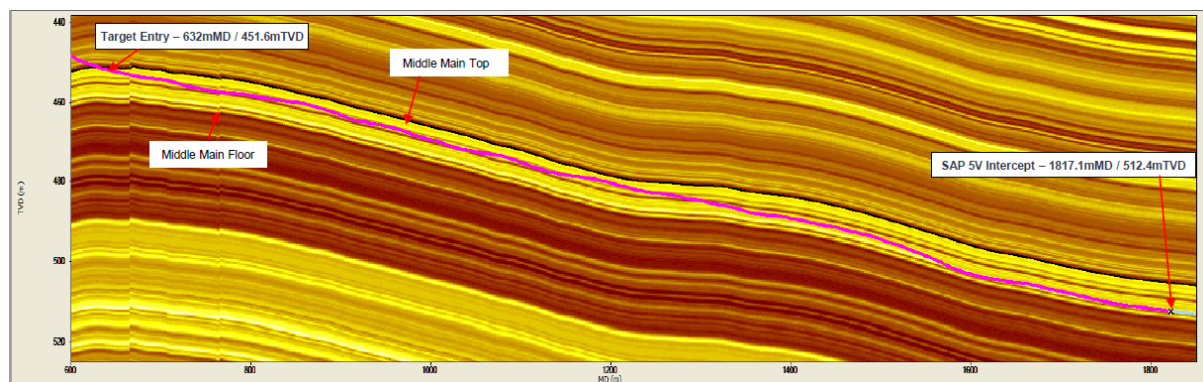
Operations summary to date

- 1,130 metres of horizontal “in seam” section has been successfully drilled in Sapphire 5L2 and intersected the Sapphire 5V vertical well as planned.
- 1,155metres of horizontal “in seam” section drilled in Sapphire 5L1 and successfully intersected the vertical well Sapphire 5V (see Figure 1)
- Sapphire 5L1, 5L2, 5L3 and 5L4 Pilot well build sections drilled have bow been drilled
- The two initial vertical wells, Sapphire 5V and Sapphire 6V, have been drilled to total depth, logged and had production casing run and cemented in place.

Up Coming activity

- The rig will now skid back over to the Sapphire 5L3 location to commence the horizontal in seam drilling phase in that lateral well.

Figure 1: Well path and inseam section drilled by Blue’s latest well - Sapphire 5L2



Drilling Program Background

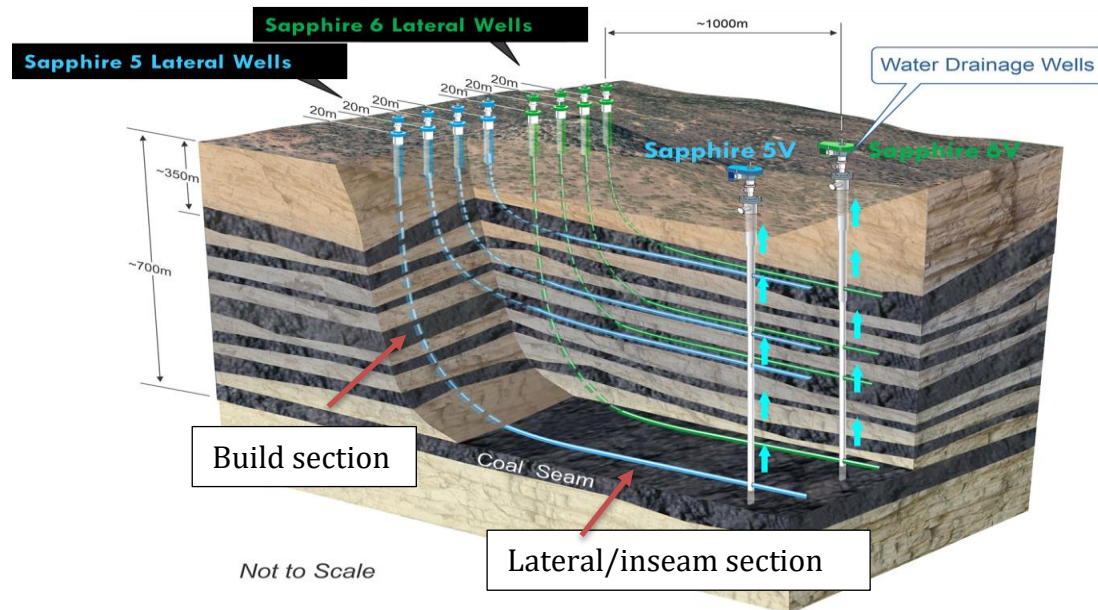


Figure 2: Schematic of Sapphire 5 and 6 pilot well configuration

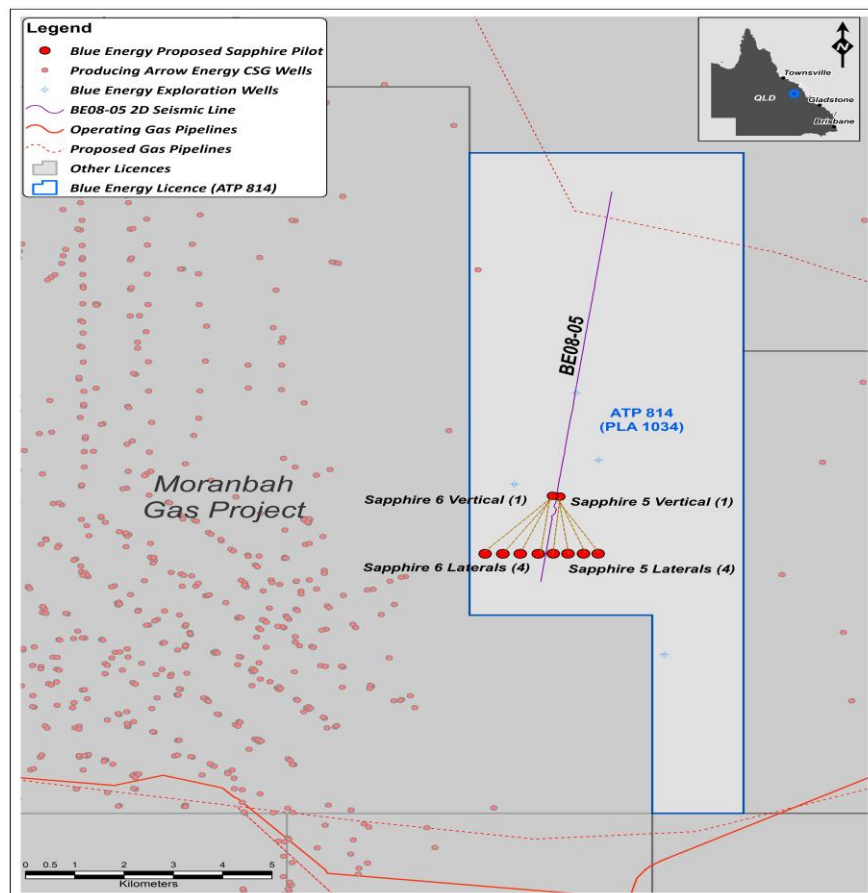


Figure 3: Plan view of Sapphire 5 and 6 Pilot well locations

The pilot well sets incorporate up to 4 separate lateral wells each accessing individual coal seams and designed to intersect a single vertical well (see figures 2 and 3). 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.

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 (now almost complete) and then mobilising 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 the directional drilling resources, given the laterals are each located on a common surface drill pad.

Released by Authority of the Board per:

John Phillips
Managing Director
Blue Energy Limited