

4 October 2022

Operational Update

Fourth Sapphire well hits target with 1,300 metres drilled in seam

Blue Energy Limited (ASX: BLU, 'Blue') is pleased to report that operations on the Sapphire 5L4 lateral well (S#5L4 –the fourth and final horizontal section in the Sapphire 5 pilot drilling campaign) have resulted in the successful drilling of a 1,300 metre horizontal “in seam” section and this well section in (S#5L4) has now successfully intersected the Sapphire 5V vertical well, as planned with the 3 1/2” liner now also run.

In addition to this activity, the SWS rig 3 workover rig has come on contract and moved onto the Sapphire 6V vertical well to undertake preparatory activity to allow intersection of the Sapphire 6L lateral sets, as planned. Following this activity, the workover rig will move to the Sapphire 5V vertical well to run the down hole pump and water production string to complete Sapphire 5V as the water producing well for the Sapphire 5 Pilot set of gas laterals in readiness for the production testing phase of operations

Current activity

- The drilling rig will now move over the Sapphire 6L1 location, the first well in the Sapphire 6 well set, and will spud the well shortly. The Sapphire 6 lateral wells will be drilled in sequence and from surface to the intersection point with the already drilled Sapphire 6 V vertical well. The Sapphire 6 L lateral wells will not be drilled in batch mode, to give maximum flexibility.
- The SWS rig 3 workover unit is on location at Sapphire 6V undertaking preparatory work of the Sapphire 6 Lateral wells to intersect it in due course.

Operations summary to date

- 1,300 metres of horizontal “in seam” section has now been drilled in the Sapphire 5L4 well, which has also successfully intersected the Sapphire 5V vertical well.
- 1,350 metres of horizontal “in seam” section drilled in *Sapphire 5L3* and intersected the vertical Sapphire 5V well
- 1,130 metres of horizontal “in seam” section drilled successfully 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 now 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.

Drilling Program Background

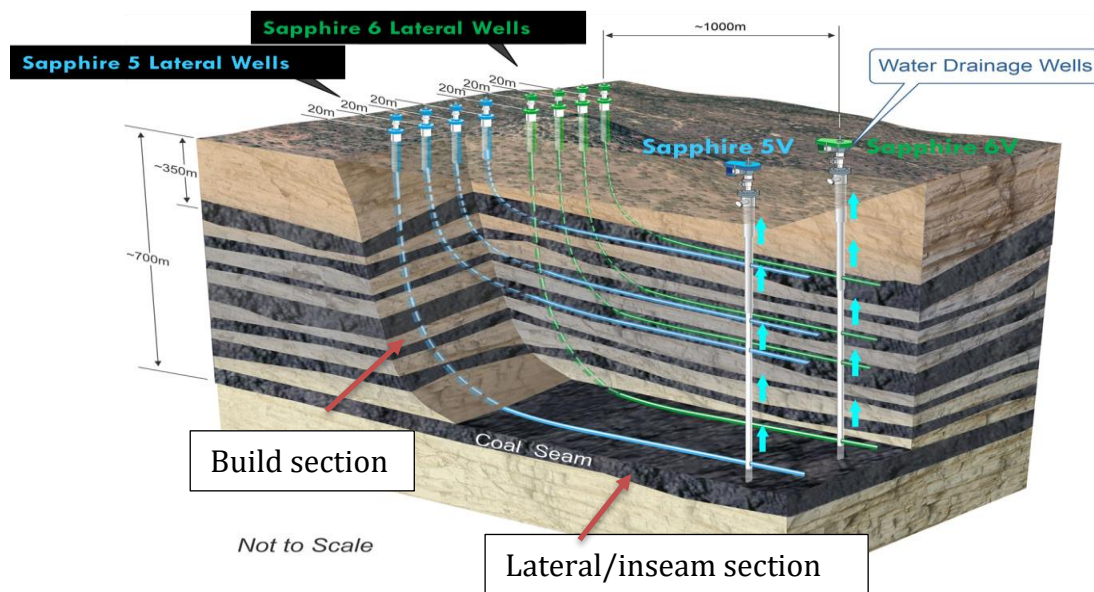


Figure 1: Schematic of Sapphire 5 and 6 pilot well configuration

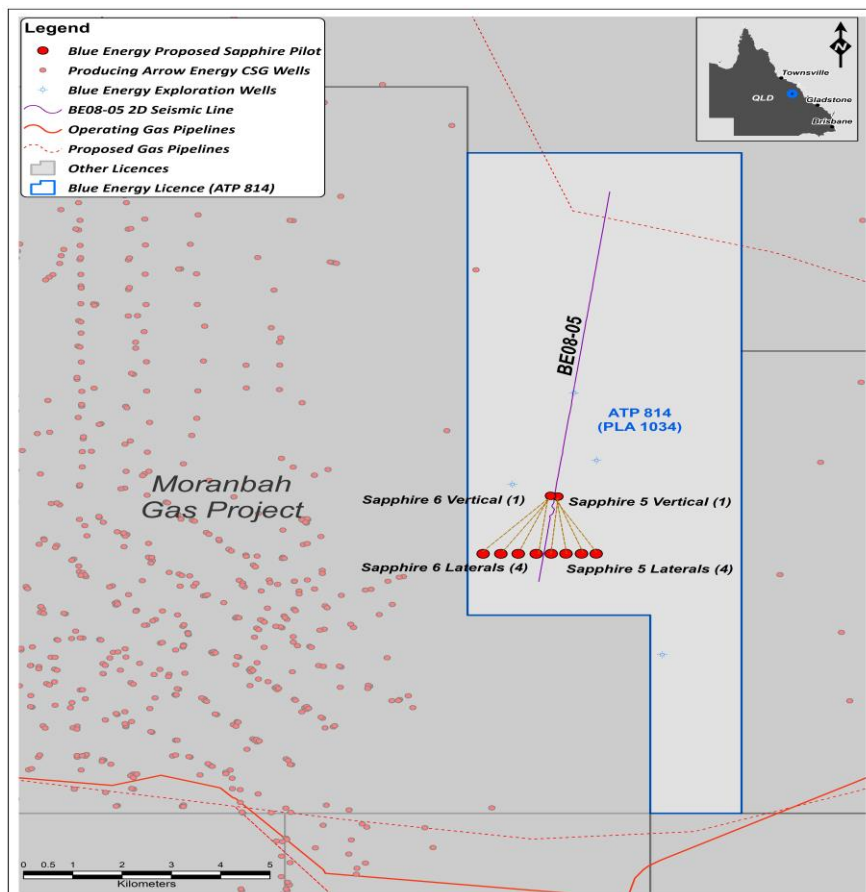


Figure 2: Plan view of Sapphire 5 and 6 Pilot well locations

The pilot well sets incorporate up to 4 separate lateral wells each accessing individual coal seams and 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 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 6 lateral wells (S#6 L1-L4) will revert to a sequential drilling pattern of the entire individual lateral well (i.e. build section followed by horizontal in seam sections), to allow maximum flexibility in the remaining programme.

Whilst this next set of laterals is underway (Sapphire 6L 1-4), the Sapphire 5L and 5V wells will be prepared for production testing, with a pump being run in the vertical well (S#5V) and production skid and surface testing facilities being readied for connection to the lateral gas production wells.

Released by Authority of the Board per:

John Phillips
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