

ASX ANNOUNCEMENT

29 July 2021

Activities Report Quarter Ended 30 June 2021

The Board of Blue Star Helium Limited (ASX: BNL) (**Blue Star** or the **Company**) is pleased to provide an update on activities undertaken during the quarter to 30 June 2021.

Highlights

- Advanced initial drilling application for Enterprise 16#1 with COGCC; approval expected to be received during the current quarter.
- Initial applications for four further wells (to test the Galactica and Pegasus prospects) submitted to the State Land Board in late July and expected to be submitted to COGCC during August.
- Completed Federal lease issue of 32,858 net acres resulting in Blue Star P50 net unrisks prospective helium resource increasing by 39% to 13.4 Bcf; estimate based on globally attractive 8% helium concentration level.
- Strategic acquisition of key lease over mapped crestal location at Galactica prospect.
- Total Blue Star Las Animas landholding stands at 253,646 gross (183,160 net) acres within the Lyons formation helium play fairway proven by the Model Dome field.
- Pathways to commercialisation advanced by independent helium market report, commissioning high-level engineering development studies to refine development scenarios and site assessment of potential gathering systems and helium processing.
- Cash balance at quarter end of A\$3.3 million.

OPERATIONS

General Activities and Personnel

The Company's US-based operations, permitting, engineering, legal and land teams were busy during the period furthering drilling permit applications, drilling preparations, lease acquisitions, surveying and site assessments, and refining pathways to commercialisation. The team has been bolstered further by the addition of independent helium market consultants and independent facility engineers.

Maiden Drilling Program

Blue Star is targeting the execution of an initial three to five well drilling campaign across its Las Animas landholding in Colorado.

The Company is focussed on commencing drilling operations as soon as possible. As yet, the Colorado Oil and Gas Conservation Commission (**COGCC**) has not issued any operator with a drilling permit under the new government regulations that were implemented on 15 January 2021. The Company remains confident that it will be amongst the first to receive a drilling permit.

In late April, Blue Star advised that its wholly owned subsidiary, BNL (Enterprise) Inc, had submitted its initial application to the COGCC for a permit to drill the Enterprise 16#1 well. Under the existing regulatory process, the approval is expected to be received during the current quarter.

Throughout the quarter, US-domiciled Blue Star operations personnel were in direct and regular contact with the relevant government bodies to expedite passage of the Company's permitting submissions.

Blue Star submitted initial drilling locations for a further four wells (to test the Galactica and Pegasus prospects) to the State Land Board in late July. Following County review, these applications are expected to be submitted to COGCC during August.

The Company is seeking to permit multiple potential wells across its various Las Animas prospects on a rolling basis. This rolling permitting strategy is designed to give Blue Star significant flexibility around well selection and is expected to allow a continual drilling program with a substantial degree of embedded responsiveness to respective drilling outcomes.

Las Animas Land Position

In June, the Federal leases acquired by Blue Star in the Bureau of Land Management (BLM) December 2020 auction were formally issued (see BNL ASX release dated 10 June 2021 for further detail).

The Company also acquired leases over an additional 10,160 net acres during the quarter, including a key lease over the mapped crestal location at the Galactica prospect which is of particular strategic importance.

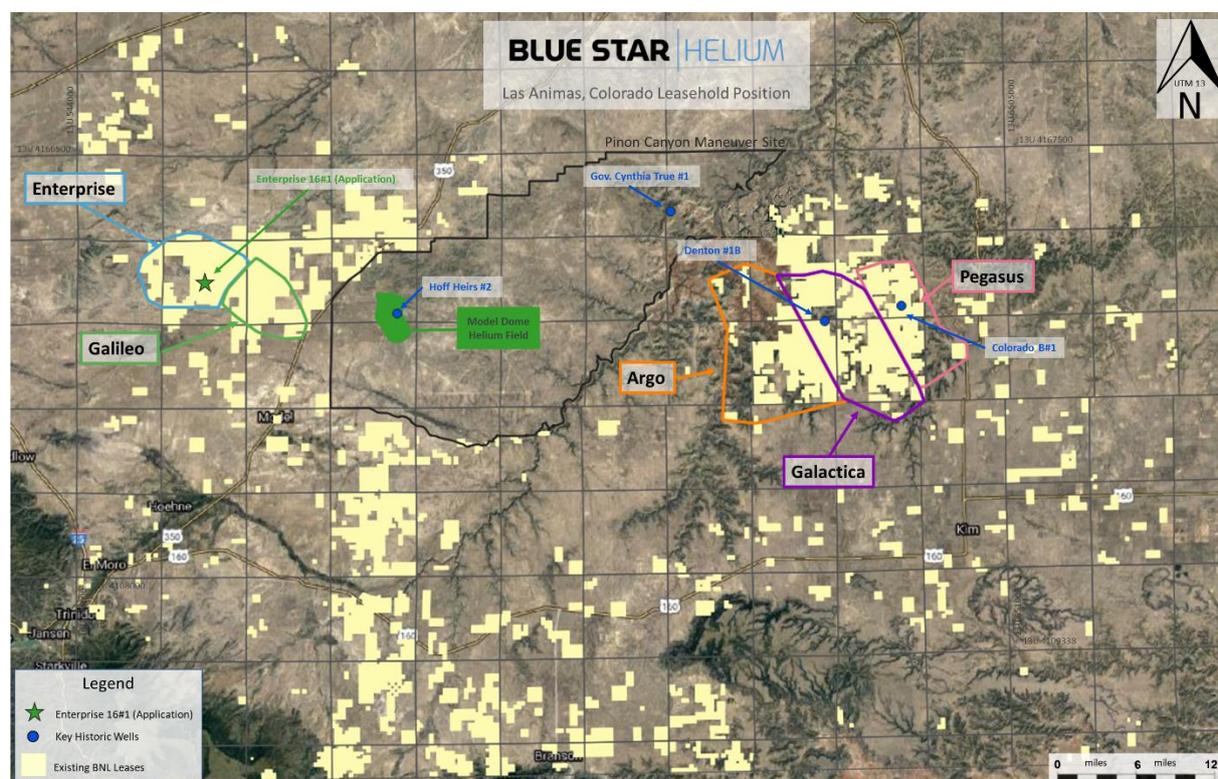


Figure 1: Blue Star Las Animas County leasehold position

Blue Star is in the highly strategic position of holding a significant acreage position over a number of mapped structures in Colorado.

Increased Prospective Helium Resources

The formal issuance of the Federal leases also resulted in Blue Star's total P50 net unrisks prospective helium resource increasing to 13.4 Bcf (an increase of 3.8 Bcf). The Company's current prospective helium resources, independently assessed by Sproule Incorporated, are summarised in Table 1 below.

Net Recoverable Helium (mmcf)	1U (P90)	2U (P50)	3U (P10)
Galactica Prospect	2,131	4,395	6,849
Pegasus Prospect	1,970	3,423	5,092
Argo Prospect	276	2,108	3,065
Enterprise Prospect	372	2,204	5,494
Galileo Prospect	495	1,292	2,329
Total BNL Net Recoverable Helium	5,244	13,422	22,829

Note 1: The estimated quantities of helium that may potentially be recovered by the application of a future development project 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 helium.

Note 2: The resource estimates have been prepared using the probabilistic method and are presented on an unrisks basis. In a probabilistic resource distribution, 1U (P90), 2U (P50), 3U (P10) estimates represent the 90% probability, 50% probability and 10% probability respectively that the quantity recovered will equal or exceed the estimate assuming a success case in the prospect. Resource totals have been arithmetically added.

Notes specifically in relation to Galactica, Pegasus and Argo

Note 3: The estimates of prospective resources in respect of Galactica, Pegasus and Argo prospects are reported as at an evaluation date of 4 June 2021 and are more fully described in the Company's announcement of 10 June 2021. The Company is not aware of any new information or data that materially affects the information included in that announcement and all the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

Notes specifically in relation to Enterprise and Galileo

Note 4: The estimates of prospective resources in respect of Enterprise and Galileo prospects are reported as at an evaluation date of 1 November 2020 and are more fully described in the Company's announcement of 16 November 2020. The Company is not aware of any new information or data that materially affects the information included in that announcement and all the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

Table 1: Blue Star total prospective helium resources, Las Animas County, Colorado

Helium Product Marketing

During the quarter, Blue Star commissioned and received a helium industry and product marketing study from a specialist U.S. helium consultant. The report will provide key inputs into the preliminary engineering study referred to below and facilitate further discussions with end-users.

Preliminary Engineering Study

During the quarter, Blue Star commissioned a high-level engineering development study from a leading consultant. This study is set to evaluate a range of potential development scenarios for the optimisation of Blue Star's prospective helium resource base. Completion of the study report is expected during the current quarter.

Preliminary Development Planning

During the quarter, the Company's surveyors have undertaken a preliminary assessment of a potential gathering system and helium processing facility locations associated with the Galactica and Pegasus prospects.

ESG Initiatives

As previously announced (see BNL ASX release dated 29 April 2021), Blue Star agreed to fund the drilling of two water wells for a local ranch holder as part of its environmental, social and governance initiatives.

The drilling of the first of these wells commenced during the June quarter. Significant shallow water was found, which required additional equipment to complete the well. This equipment is expected to be delivered shortly and it is anticipated that this well will be completed in the next few weeks.

Immediately following this, the second well is planned to be drilled. A third well is then also planned to be drilled for a second rancher as part of the same program.

Blue Star will seek to gather data from the wells during drilling that may aid in the further definition of its helium prospects. Encouragingly, the initial data obtained from the first well supports the Company's stratigraphic interpretation of that area.

These wells will be drilled and owned by the ranchers and Blue Star does not have any interest in them.

Big Star Project – Texas, USA

During the quarter, production continued from the Simmons well. As at the date of this report, this asset is held for sale. The Stuart and Cline wells did not produce during the quarter and remain shut-in.

CORPORATE

Blue Star's cash balance at the end of the June 2021 quarter was approximately A\$3.3 million.

The Company appointed Mr Trent Spry as Managing Director and Chief Executive Officer in April 2021. Mr Neil Rinaldi was also appointed as a Non-Executive Director in April 2021. For further details of Mr Spry and Mr Rinaldi's professional experience and expertise, see BNL ASX release dated 15 April 2021.

Blue Star held its Annual General Meeting on 31 May 2021. All resolutions put to the meeting were passed.

TENEMENT TABLE

Tenements held at the end of the quarter and changes thereof.	Acreage held at the beginning of the Quarter	Acreage held at the end of the Quarter	Acreage acquired (disposed/lapsed)
Project Name			
Held By Production Acreage, Big Star Project, USA	80 acres	80 acres	-
Helium Project, Las Animas, Colorado, USA*	Circa 237,000 gross (173,000 net) acres	Circa 253,646 gross (183,160 net) acres	Circa 10,160 net acres

5B COMMENTARY

Description of Selected Items in Appendix 5B

Appendix 5B Reference		Commentary
1.2 (a)	Expensed exploration and evaluation costs	Expenditures associated with the P&A of a legacy oil well in Texas.
1.2 (c)	Payments for production	Expenditures associated with the Company's Big Star Project in Texas USA.
2.1 (b)	Payments to acquire tenements	Costs associated with the acquisition of helium leases in Colorado, USA including land manager fees.
2.1 (d)	Capitalised exploration and evaluation costs	Capitalised expenditures associated with exploration and evaluation of the Company's helium acreage in Colorado USA. Includes drilling preparation, permitting, subsurface evaluation and field costs.
6.1 and 6.2	Payments to Related Parties	Includes directors' fees and superannuation paid to directors.

The Board has authorised the release of this announcement to ASX.

For further information, please contact:

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About Blue Star Helium:

Blue Star Helium Ltd (ASX:BNL) is an independent helium exploration and production company, headquartered in Australia, with operations and exploration in North America. Blue Star's strategy is to provide its shareholders with exposure to multiple high-value helium projects in North America. For further information please visit the Company's website at www.bluestarhelium.com

About Helium:

Helium is a unique industrial gas that exhibits characteristics both of a bulk, commodity gas and of a high value specialty gas and is considered a "high tech" strategic element. Due to its unique chemical and physical qualities, helium is a vital element in the manufacture of MRIs and semiconductors and is critical for fibre optic cable manufacturing, hard disc manufacturing and cooling, space exploration, rocketry, lifting and high-level science. There is no way of manufacturing helium artificially and most of the world's reserves have been derived as a by-product of the extraction of natural hydrocarbon gas.

