

ASX ANNOUNCEMENT

22 December 2021

AGREEMENT TO JOINTLY DEVELOP BLUE STAR'S SERENITY PROSPECT

Highlights

- Blue Star (50%), Vecta (25%) and Prospero (25%) agree to jointly develop leases in an Area of Mutual Interest (**AMI**) in Las Animas County, Colorado, that includes the Company's Serenity prospect.
- Vecta and Prospero to contribute 10,212 net acres and Blue Star to contribute 4,334 net acres into the AMI (total 14,551 net acres).
- Vecta has a Form 2A application for four helium exploration wells within the AMI, with approval hearings scheduled during February 2022.
- The first well is targeted to commence drilling in early Q2 CY2022.
- Vecta is an existing helium producer in Cheyenne County, Colorado, and Utah, and will be the operator of the joint activities in the AMI.
- Key benefits to Blue Star from the agreement include:
 - Wider exploration (and potentially production) well exposure on an accelerated basis
 - Clear synergies with Blue Star's own exploration and evaluation activities
 - Direct access to existing helium production expertise
 - Strong validation of the quality of Blue Star's tenure and personnel
- Completion of a prospective resource estimate for the AMI is targeted for Q1 CY2022.

Blue Star Helium Limited (ASX:BNL) (**Blue Star** or the **Company**) advises that it has executed an agreement to jointly develop helium leases in an Area of Mutual Interest (**AMI**) with private entities, Vecta Oil and Gas Ltd (**Vecta**) and Prospero Oil and Gas LLC (**Prospero**), in Las Animas County, Colorado (**Participation Agreement**). The AMI includes Blue Star's Serenity prospect, which is located immediately to the south-east of its Galactica and Pegasus prospects.

Commenting on the Participation Agreement, Blue Star Managing Director and CEO, Trent Spry said:

"This is an exciting transaction for Blue Star and one we have been working towards with the Vecta team for some time now.

We look forward to providing an idea of the potential of the Serenity area upon completion of a prospective resource estimate for the AMI, which is targeted for next quarter and the drilling of the first well in the AMI anticipated for early Q2 CY2022.

"Blue Star has been leasing in this part of the County ever since we identified the Serenity prospect in 2019. This transaction enables us to increase our interests in this prospect with the added benefit of expected near-term drilling by an experienced operator with strong alignment in the outcome.

“Our other activity schedule in Las Animas remains unchanged. We expect to be drilling shortly at our maiden Enterprise 16#1 helium exploration well and then undertaking an extensive drilling program across multiple key prospects through calendar 2022. What formation of the AMI delivers us is new well exposures beyond our own drilling activities and on an accelerated basis.”

The Serenity prospect and the Area of Mutual Interest (AMI)

The AMI is located to the south-east of Blue Star’s Galactica prospect within its overall Las Animas County acreage holding. It includes the Company’s Serenity prospect (see Figure 1).

The AMI covers 126 square miles and contains combined leased and optioned acreage of 14,551 net acres. Blue Star is contributing 4,334 net acres to the AMI and Vecta/Prospero are contributing 10,217 net acres, inclusive of lease options (see Figure 1). Each party shall have the right, but not the obligation, to participate in any further leases acquired in the AMI prior to 14 December 2023 in proportion to their respective interests.

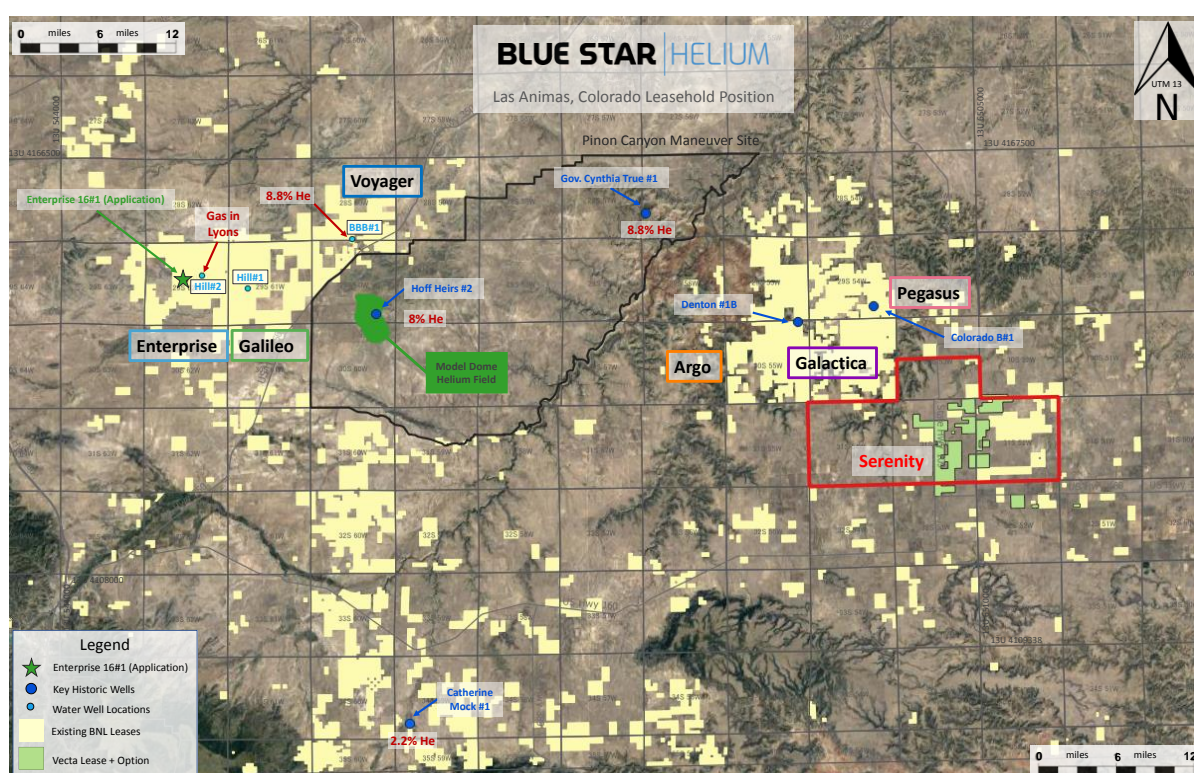


Figure 1: Blue Star’s Las Animas County lease holdings with the AMI over the Serenity prospect identified, including Vecta’s lease and option acreage

Blue Star is targeting the release of a prospective resource estimate for the AMI during Q1 CY2022.

AMI participants

Formation of the AMI will see Blue Star take a 50% non-operated interest in all combined acreage within the AMI. Vecta is to be the operator of the AMI and hold a 25% interest, while Prospero will also hold a 25% interest.

Vecta is based in Denver and owns both operated and non-operated properties in Montana, Wyoming, Colorado, Utah, North Dakota, Louisiana and Texas. It currently produces and sells helium in Cheyenne County, Colorado, and San Juan County, Utah.

Prospero is based in Denver and owns non-operated properties in Colorado and Montana. The two businesses are closely tied with the principals of Prospero also being key members of the Vecta team.

The parties will share the costs of leasing, permitting and drilling in the AMI in proportion to their respective interests. The parties will assess the historic costs when the agreement becomes unconditional and make true-up payments as necessary. At this stage, this is not expected to require any material true-up payments between the parties.

Planned drilling program for the AMI

Vecta currently has a Form 2A application submitted in relation to four (4) helium exploration well locations within the AMI, with the approval hearing scheduled for February 2022.

The first of these wells (Sammons 315310D) is targeted to commence drilling as soon as permitting allows which is anticipated to be early Q2 CY2022.

As part of the Participation Agreement, all parties have agreed to participate for their respective working interest shares in the drilling of the Sammons 315310D well. Drilling and evaluation of this well is expected to cost less than US\$150,000, net to Blue Star.

Conditions precedent to AMI formation

The two key conditions precedent in the Participation Agreement, both requiring satisfaction prior to 1 March 2022, are:

1. Prospero successfully extending or renewing the Sammons Lease such that its primary term ends on a date no earlier than 1 December 2022 and with substantially the same terms and conditions as the existing Sammons Lease. This condition has been satisfied; and
2. The approval of Vecta's Form 2A application for the Sammons 315310D well by the Colorado Oil and Gas Conservation Commission (**COGCC**) (it is considered to be approved under the Participation Agreement on the date of the COGCC hearing if the COGCC has recommended the permit for approval at that time).

Other information

Blue Star's wholly owned subsidiary, Las Animas Leasing Inc, is the Blue Star entity that is party to the Participation Agreement.

The Participation Agreement has a term of 2 years and will terminate on 14 December 2023. Vecta will be the operator of joint operations in the AMI. The Joint Operating Agreement is in the form of the AAPL Form 610-2015 Model Form Operating Agreement.

Vecta and Prospero refer to their leases as Sammons Ranch and the Oil and Gas Development Plan in respect of the Sammons area may be obtained from the website of the Colorado Oil and Gas Conservation Commission (**COGCC**).

The lease being initially contributed by Vecta and Prospero is from a private mineral owner for an initial term expiring on 1 December 2022. If the lessee successfully produces helium or other

products from the lease area, a 12.5% royalty in respect of 640 gross and net acres will be payable to the lessor and the lease term will be extended indefinitely until production ceases.

The lease does not include any minimum work commitments.

The option entitles Prospero to acquire a mineral lease in respect of 9577 net acres by giving notice and paying a non-material consideration on or before 8 June 2022. The Company has the right to require Prospero to exercise the option.

This ASX Announcement has been authorised for release by the Board of Blue Star Helium Limited.

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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 find and develop new supplies of low cost, high grade helium 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 manufacture 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.

