

ASX ANNOUNCEMENT

29 April 2022

Activities Report Quarter Ended 31 March 2022

Blue Star Helium Limited (ASX: BNL) (**Blue Star** or the **Company**) is pleased to provide an update on activities undertaken during the quarter ended 31 March 2022.

Highlights

- **Spudding and drilling of Enterprise 16#1 Exploration Well completed, with new, deeper gas water contact (GWC) identified, increasing structural gas column to 78 ft**
- **Planned well testing post-wireline logging delayed due to water inflow into well bore requiring new well testing procedure which has been designed and will be implemented subject to rig availability**
- **Sammons Ranch OGDPA approval received, satisfying final remaining condition precedent to formation of Area of Mutual Interest, covering Serenity prospect, with Vecta and Prospero. Final approval for drilling (Form 2) expected shortly**
- **Exploratory water well program advances across Blue Star's portfolio of prospects**
- **Rolling permitting and drilling campaign advancing with 47 permits in process and 10 helium wells (including Enterprise 16#1) targeted to be permitted and drilled during CY2022**
- **Blue Star Helium commences trading on OTCQB Market under the ticker BSNLF, providing North American investors direct U.S. dollar denominated access to investment in Blue Star**
- **Cash balance at quarter end of A\$13.603 million**

OPERATIONS

Enterprise 16#1 Exploration Well

On 16 February 2022, Blue Star advised that the Enterprise 16#1 exploration well, located in Las Animas County, Colorado was spudded. On 22 February, drilling of the shallow section of the target Lyons formation was completed, with casing set and cemented. The objective of the well was to test an interpreted structural high within the Enterprise prospect targeting a helium pay zone in the Lyons formation.

On 1 March 2022, the Company provided an update, stating that the well was drilled to a total depth of 1,250 feet and identified a potential helium zone in the targeted Lyons formation. Based on wireline logs, the top of the Lyons formation was penetrated at 1,045 feet with an interpreted gas water contact (GWC) intersected at 1,058 feet (equating to an approximate 13 feet gross and net gas column in the well bore). The GWC seen in Enterprise 16#1 equates to an approximate 78 ft structural gas column for the Enterprise prospect, increased from the 29 ft gas column previously interpreted in the Hill#2 exploratory water well.

Some helium gas was seen while drilling, however due to subsequent water invasion of the top part of the Lyons formation where gas is interpreted from logs, no test was initially able to be conducted to obtain a gas sample for compositional analysis. Subsequent to drilling and logging operations the Company has returned to the well and successfully conducted pressure testing. The results provide the Company with the only modern pressure data in the area and valuable virgin pressure data ahead of completion and testing operations. A tailored completion and testing program has been formulated with the objective of obtaining a gas composition from the top of the Lyons, notwithstanding the invasion of the reservoir and fluid in the well bore.

The completion and testing program has been finalised and all necessary filings have been approved by the COGCC. The Company is now in the process of securing a workover rig to conduct the work. The rapid increase in oil and gas industry activity given recent global events has resulted in increased demand for rigs and crew.

Sammons Ranch OGDG Approval Received

On 25 February 2022, Blue Star advised that it had received COGCC approval for the Sammons Ranch OGDG submitted by Vecta Oil and Gas Ltd (Vecta) and authorisation of the four well locations. The Sammons Ranch OGDG consists of four (4) proposed helium exploration wells located in the Area of Mutual Interest (AMI) agreed between Blue Star (50%, non-operated interest), Prospero Oil and Gas LLC (Prospero) (25%, non-operated interest) and Vecta (25% operating interest) (refer BNL ASX release dated 22 December 2021).

The AMI includes Blue Star's Serenity prospect, located immediately south-east of its Galactica and Pegasus prospects. Approval at Vecta's OGDG hearing of the Sammons 315310C well by the COGCC was the residual condition precedent to the formation of the AMI and is now satisfied.

Approval of the OGDG and associated Forms 2A allowed Vecta to submit its final permit to drill (Form 2) for the Sammons 315310C well, which was completed on 4 March 2022. As previously outlined, while it is the Company's understanding that approval for the final permit to drill is typically received within 30 days of its submission, this application has exceeded this estimate but nevertheless the final Form 2 approval is expected in Q2 CY2022. Planning for execution of the Sammons 315310C well is underway with drilling expected to begin promptly after receipt of the approved final permit to drill.

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

Helium Exploration Well Permitting

During the quarter, Blue Star submitted new drilling location permit applications (Form 2As) for four further helium exploration wells, State 35 and State 36 (Pegasus prospect) and State 9 and State 16 (Galactica prospect). Final approved permits to drill (Form 2) for these four prospective wells are targeted for receipt by mid-CY2022. The COGCC advised the Company on 27 April 2022 that the Form 2As in relation to State 35 and 36 had passed completeness and will now pass into the final approval and hearing process.

The specific locations of these four prospective wells, as well as the Enterprise 16#1 and Sammons 315310C well, are highlighted in red in Figure 1 below.

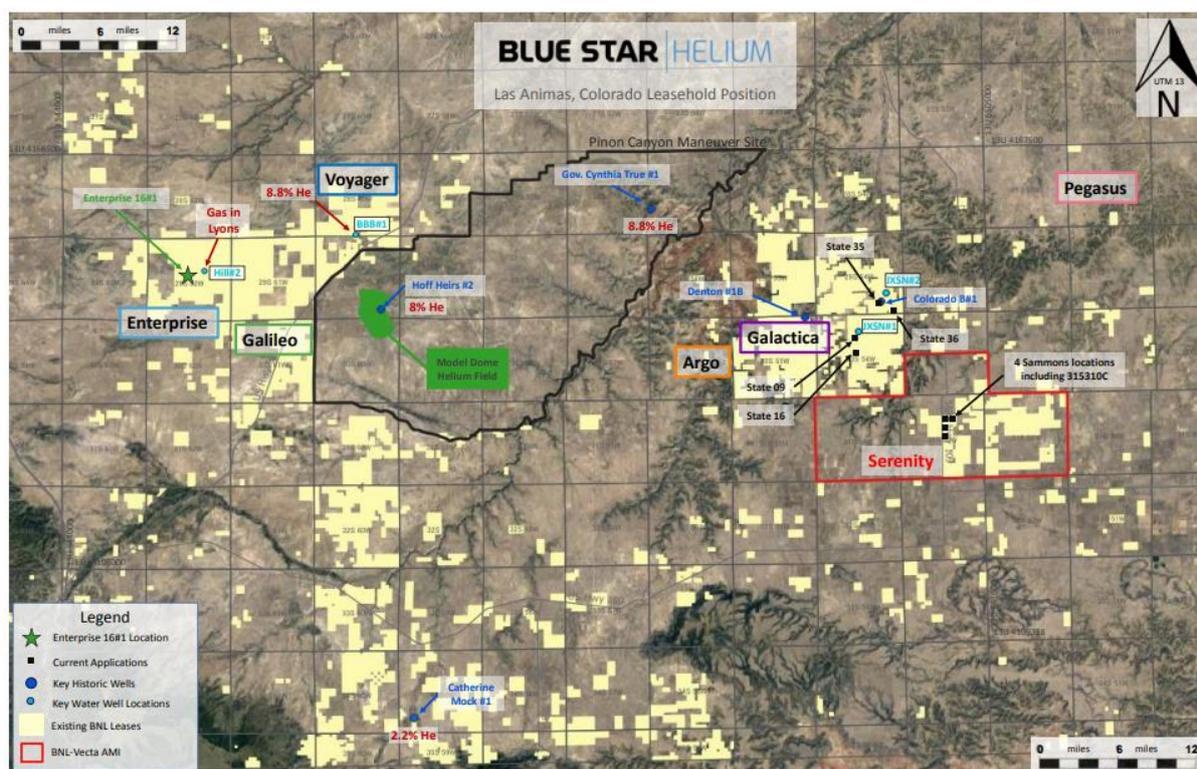


Figure 1: Blue Star's Las Animas Country lease holdings and key well locations

Blue Star also expects to submit a further five Form 2A well location applications during Q2 CY2022 on the Voyager prospect. The selection of these well locations is heavily informed by the helium bearing gas column identified in the BBB#1 water well (see BNL ASX release dated 17 November 2021). As a result of the permitting strategy and related activity during the current quarter, Blue Star had, at quarter end, an interest in 14 wells that are permitted or under permitting:

- **Enterprise:** 1 permitted well (Enterprise 16#1, 100% interest), drilled in February
- **Serenity (AMI):** 4 permitted wells (50% interest), Sammons 315310C well expected to be drilled in Q2 CY2022
- **Pegasus:** 2 wells under permitting (State 35 and State 36, 100% interest)
- **Galactica:** 2 wells under permitting (State 9 and State 16, 100% interest)
- **Voyager:** 5 wells under permitting (100% interest)

In addition, preliminary survey work is underway for an additional 25 potential drilling locations across the portfolio as part of the Company's rolling permitting strategy. The table below depicts the respective status of these permits and their locations.

Well Permitting Schedule								
Prospect	Location Selection ¹	Survey ²	Permit Preparation	COGCC Review	COGCC Hearing	Form 2	Issued	Total
Enterprise	1	2	1				1	5
Galactica	6	9		2				17
Galileo			3					3
Pegasus	10	9	1	2				12
Serenity						4		4
Voyager	1		5					6
Total	8	20	10	4	-	4	1	47

Notes:

1. Preliminary feasibility survey studies have been undertaken on each of these locations.
2. Detailed survey plat packages being prepared for inclusion in initial applications to COGCC.

Exploratory Water Well Program

Subsequent to the end of the quarter, the Company announced its focus on rapidly advancing further drill planning and permitting across its key prospects for CY2022, including a mix of both exploratory water wells and helium exploration wells (of which only the latter can be completed for production).

Drilling of exploratory water wells by the rancher in a new 4-5 well program at the Galactica/Pegasus prospects has now commenced with the first two wells (JXSN#1 and JXSN#2) shown on Figure 1 above. These exploratory water wells will front run helium exploration, appraisal, and production drilling at the Pegasus/Galactica prospects, where Blue Star also has a further potential 29 helium exploration well locations in its permitting pipeline.

On 27 April 2022, the Company announced that JXSN#1 had been drilled and gas samples sent to the laboratory for analysis, JXSN#2 had been drilled and cased above the Lyons and will drill ahead later in that week, a third well (JXSN#3) will be drilled after JXSN#2, and a further existing water well owned by another rancher had been logged and provided valuable stratigraphic and depth information helping to better define Lyons formation prospects in the Galactica and Pegasus area.

The continuation of exploratory water well drilling in CY2022 is a function of two major dynamics. The first is that last year's campaign proved to be a highly successful element of Blue Star's Environmental, Social and Governance (ESG) focussed activities within Las Animas County. The second is the substantial data that may be obtained from the program contributes to Blue Star's geologic evaluation and prospect advancement, as was the case at the breakthrough BBB#1 well at the Voyager prospect, allowing for confident acceleration of helium well location selections for appraisal and development drilling.

The BBB#1 well returned a 134 feet gas column in the Lyons formation with a calculated air-free helium content of 8.8%, a similar gas composition to the proximate historic Model Dome analogue production and one of the highest in-situ helium concentrations both in the U.S. and globally. For further details on BBB#1 refer to BNL ASX release dated 21 December 2021, Water Well Drilling Identifies Significant Gas Columns at Voyager and Enterprise.

The exploratory water wells provide structural information, modern wireline logs, define water contacts and are lower cost and considerably quicker to advance from planning through to drilling than helium exploration wells. In some cases, as described above in relation to the BBB#1 well, these wells can return gas compositional data and critical validator results that allow acceleration of appraisal and development helium well location selections.

The water wells are drilled by a contractor pursuant to a drilling contract between the contractor and the rancher. The Company is not a party to this contract. The well is the property of the rancher and the Company does not have an economic interest in it. The Company will agree to fund the well if the rancher selects a location that may be of interest to the Company, the Company has leased the underlying minerals and the rancher agrees to let the Company obtain any available data from the drilling program. Water wells are drilled for the sole purpose of producing water for use by the rancher. Water wells may not produce helium and may not be converted into producing helium wells.

Big Star Project – Texas, USA

During the quarter, the Stuart and Cline well locations were rehabilitated. The Company's wholly owned subsidiary, Antares Energy Company (**AEC**), has advised the Railroad Commission of Texas that it has ceased operations, and requested that its operator status be changed to inactive and the bond of US\$25,000 be repaid. The Company intends to wind up AEC.

CORPORATE

Blue Star's cash balance at the end of the 31 March 2021 quarter was approximately A\$13.603 million.

Blue Star Lists on OTCQB Market

During the quarter, the Company announced that its ordinary shares had received approval for trading on the OTCQB market (often referred to as a "QB" quotation), a U.S. trading platform operated by OTC Markets Group in New York, U.S. It is structured to provide live-market trading during North American business hours in early-stage and developing companies that may hold primary listings in non-US markets. A listing on the OTCQB market provides increased accessibility for North American domiciled investors to the Company's shares, as well as delivering potential for enhanced overall liquidity in the trading of Blue Star.

Compliance requirements for OTCQB quotation require issuers to satisfy annual company verification and management certification processes, financial reporting and transparency requirements, and ongoing compliance in relation to the company's capital structure and market capitalisation. All compliance requirements are expected to be practically satisfied by Blue Star through existing satisfaction of ASX primary listing obligations.

Blue Star did not issue any new securities as part of the OTCQB listing process.

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	-	-	-
Helium Project, Las Animas, Colorado, USA*	Circa 253,646 gross (183,160 net) acres	Circa 295,371 gross (212,807 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.



Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Blue Star Helium Limited

ABN

75 009 230 835

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3	3
1.2 Payments for		
(a) exploration & evaluation	(327)	(327)
(b) development	-	-
(c) production	(2)	(2)
(d) staff costs	(33)	(33)
(e) administration and corporate costs	(249)	(249)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (legal fees for dispute resolution)	(1)	(1)
1.9 Net cash from / (used in) operating activities	(609)	(609)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	(325)	(325)
(c) property, plant and equipment	(3)	(3)
(d) exploration & evaluation	(1,063)	(1,063)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,391)	(1,391)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(6)	(6)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(6)	(6)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,632	15,632
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(609)	(609)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,391)	(1,391)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6)	(6)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(23)	(23)
4.6	Cash and cash equivalents at end of period	13,603	13,603

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	13,603	15,632
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	13,603	15,632

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	33
6.2	Aggregate amount of payments to related parties and their associates included in item 2	65
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-
7.5	Unused financing facilities available at quarter end	
		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
	N/A	

8. Estimated cash available for future operating activities	\$A'000
8.1	(609)
8.2	(1,063)
8.3	(1,672)
8.4	13,603
8.5	-
8.6	13,603
8.7	8.1
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer: N/A
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer: N/A

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 April 2022

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.