

ASX ANNOUNCEMENT

28 August 2024

HELIUM ONE FARMS INTO GALACTICA / PEGASUS PROJECT

Highlights

- Helium One to pay US\$1.5 million to Blue Star on completion and fund the drilling of six (6) development wells to earn a 50% interest in the Galactica / Pegasus project.
- Drilling of these initial six wells at Galactica (Phase 1 of the broader Galactica / Pegasus development) is expected during Q4 2024.
- Helium One has announced that it has raised US\$8.2 million in new equity.
- Blue Star remains Operator of the project.
- First helium (and CO₂) production from Galactica / Pegasus expected during H1 2025.

Blue Star Helium Limited (ASX:BNL, OTCQB:BSNLF) (**Blue Star** or the **Company**) is pleased to advise that it has agreed to farm out an interest in its Galactica / Pegasus project in Colorado, USA, to Helium One Global Ltd (AIM: HE1) (**Helium One**).

Blue Star Managing Director and CEO, Trent Spry, said

"We are very pleased to welcome Helium One as a partner in the Galactica / Pegasus development. This partnership is the first step in our strategic plan to accelerate growth across our large Las Animas asset portfolio, and to rapidly build and expand our production operations in the region.

"With Helium One's farm-in, we are excited to soon be drilling an additional six development wells, following the successful drilling of the State #16 development well earlier this year. The initial focus on Galactica represents Phase 1 of the greater Galactica / Pegasus development – it is set to deliver an exciting, high-value helium development as well as a critical CO₂ co-product stream.

"Upon successful transaction completion, the Galactica / Pegasus partners are targeting first production during H1 2025."

Landmark farm-out agreement with Helium One

The Company has entered into a binding Heads of Agreement (**Agreement**) by which Helium One earns a 50% interest in the Galactica / Pegasus project in exchange for paying US\$1.5 million to Blue Star in consideration for past costs and funding the drilling of six development wells. The cash component will be used for general working capital.

The Agreement is subject to satisfaction or waiver of certain conditions precedent, the key ones being approval by the Colorado Energy and Carbon Management Commission (**ECMC**) of the Galactica / Pegasus OGD I, and the execution of definitive governing agreements (including a farm-in agreement and a joint operating agreement).

If the parties fail to agree the definitive governing documents by 31 October 2024, then the parties are bound to the Agreement becoming the final transaction document. Completion therefore will be on or before the 31 October 2024.

Blue Star, through its local operating entity, will continue to act as Operator of the Galactica / Pegasus project.

The 50% interest that is the subject of the farm-out comprises mineral leases in respect of 61,151.99 gross acres (51,479.37 net acres) in the Galactica / Pegasus development only.

Helium One's obligation under the initial six (6) well drilling programme is capped at US\$0.45 million per well. In the event that any well exceeds that obligation ceiling, the partners will share excess costs in proportion with their respective project working interests, ie 50/50.

Both parties will fund their working interest share of the tie-back, installation, and processing and other expenditures required for the Galactica / Pegasus development.

The Company has also granted Helium One a right of first refusal to farm-in to Blue Star's helium acreage in Las Animas County, Colorado on the same terms offered to the Company by any third party. Helium One must exercise the right within 30 days and the right will cease if it fails to exercise it. The right does not apply to the Serenity project.

Helium One is the pre-eminent UK-listed helium explorer with significant helium projects in Tanzania. It has announced that it has raised US\$8.2 million in new equity (refer Helium One AIM release dated 27 August 2024).

Development well drilling

As part of the farm-out, Helium One is to fund a six well development drilling programme. Five of these initial wells are included in the Galactica / Pegasus OGD I. The ECMC has advised that it will hear the application to approve this OGD on 25 September 2024.

Upon a positive hearing decision, Blue Star will apply for final permits to drill these wells. This final stage of the process is expected to take approximately 2 weeks, based on recent experience. Accordingly, drilling of these wells is expected to commence during Q4 2024.

The five well locations in the OGD are identified in the map overleaf (located in the south and south-west between the JXSN#1 and JXSN#3 discovery wells).

In addition, the company already has 4 other development well locations approved associated with Galactica and another 6 development well locations associated with Pegasus (also shown on the map overleaf) from which the sixth farm-out well can be selected.

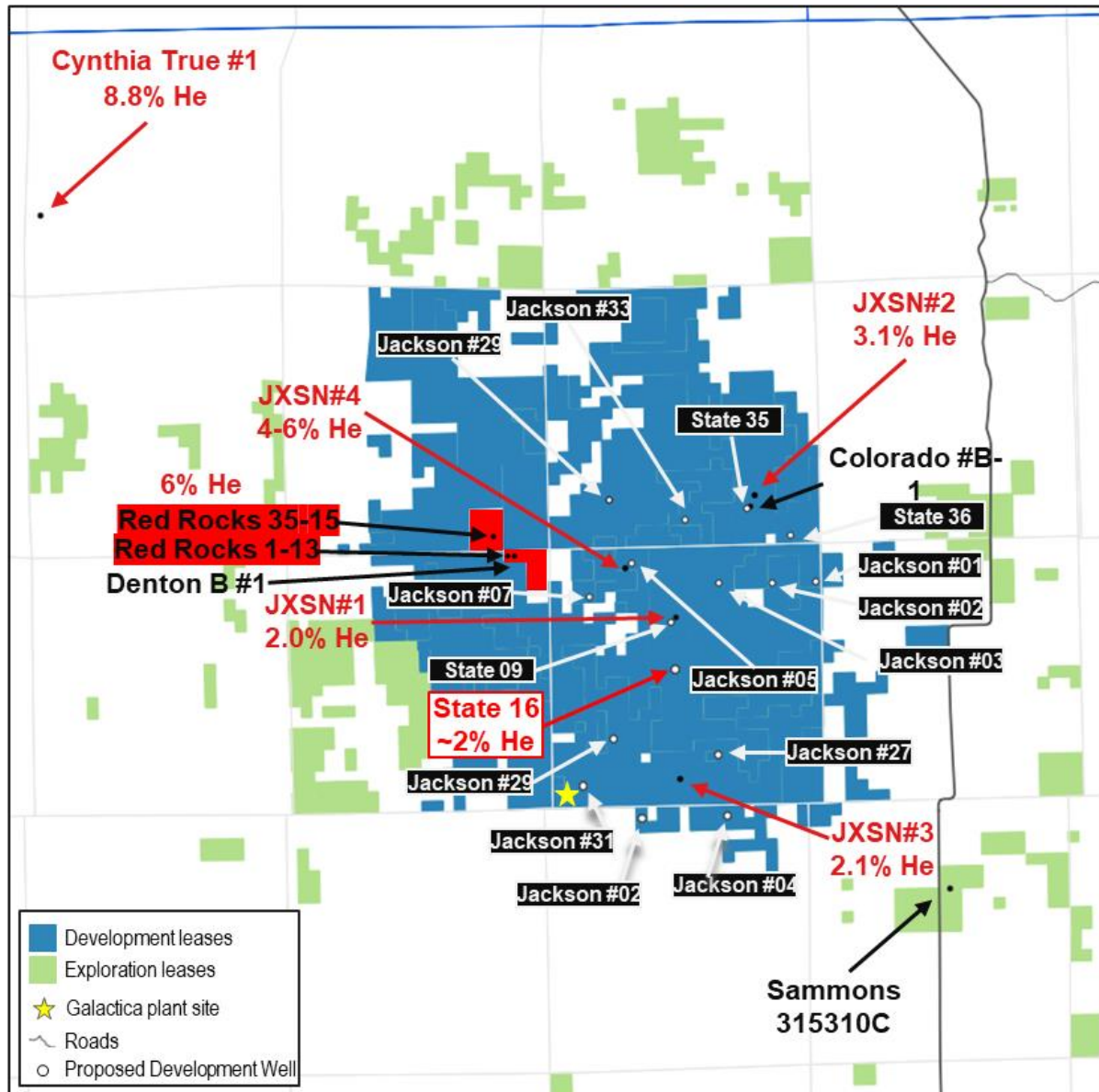
Galactica / Pegasus development

The Galactica / Pegasus field was discovered by Blue Star in 2022 via the JXSN#1, #2, #3 and #4 wells. These wells showed gas bearing columns of up to 230 feet containing gas with between approximately 2% to 6% helium and initial recorded flow rates of between 125 Mcfd and 412 Mcfd (see BNL ASX releases dated 7 June 2022, 29 September 2022, 5 October 2022 and 1 July 2024).

In June 2024, Blue Star drilled the first development well at Galactica (Phase 1 of the greater Galactica / Pegasus development). The State-16 development well flowed 1.9% helium at 285 Mcfd in addition to 70% CO₂. Subsequent independent reservoir engineering including all available well data and review of the adjacent Red Rocks helium development established likely initial production flow rate estimates between 250 to 615 Mcfd for future development wells (see BNL ASX release dated 1 July 2024).

The initial six well drilling programme funded by Helium One, together with State-16, are expected to form the initial gas gathering system into the Phase 1 helium production facility (location shown on the map overleaf).

First production from the Phase 1 Galactica / Pegasus development is expected during H1 2025.



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, OTCQB:BSNLF) is an independent helium exploration 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.