

ASX ANNOUNCEMENT

23 December 2024

STRATEGIC HELIUM ACQUISITION OPTION

Summary

- Executed option agreement to purchase discovered and producing helium assets in the Great Plains field, Lincoln County, Colorado and the Kregel well in Cheyene County, Colorado.
- Great Plains field historic testing shows helium concentrations of 1.36% to 2.02% with raw gas flow rates of 5,000 to 10,000 Mcfd.
- Highly strategic assets given existing well discoveries, substantial existing production infrastructure, and proximity to helium liquefaction at Ladder Creek processing facility.
- Capex-lite helium development opportunity at Great Plains field recompleting existing well-bores, and utilising associated infrastructure and gas processing plant site.
- Kregel well, producing at 1.38% helium, is tied into the Tumbleweed gas gathering system, which feeds the Ladder Creek helium processing liquefaction plant in Cheyene County.
- Kregel associated pipeline and connection provides opportunity for offset wells and expansion to increase gas through the Ladder Creek facility.
- Extensive exploration upside with approximately 283 square miles of exclusive 3D seismic.
- Blue Star to deliver specialist helium expertise to drive capture of high-value opportunity.
- Low-risk option with entry cost and obligations being staged via well-testing costs.
- Well-testing activities to commence promptly depending on weather and field access.
- Dual purchase option structure: helium-only development, or all WFE assets including existing oil and gas production and cash flows.
- Evaluation of acquisition funding options underway, including debt and/or strategic JV partnership(s).
- Strong operational synergies with Blue Star's existing Las Animas projects, and strong familiarity with permitting/operational requirements.

Blue Star Helium Limited (ASX:BNL, OTCQB:BSNLF) (**Blue Star** or the **Company**) advises that it has entered into an option agreement with Wiepking-Fullerton Energy LLC and several other parties (**WFE**) granting Blue Star the option to purchase either: (a) WFE's helium assets; or (b) WFE's entire asset portfolio in Lincoln and Cheyene Counties, Colorado.

The WFE assets are strategically located approximately 100 miles north of Blue Star's flagship projects in Las Animas County, Colorado, offering strong operational synergies and further connectivity to key helium infrastructure in the area.

Blue Star Managing Director and CEO, Trent Spry, said,

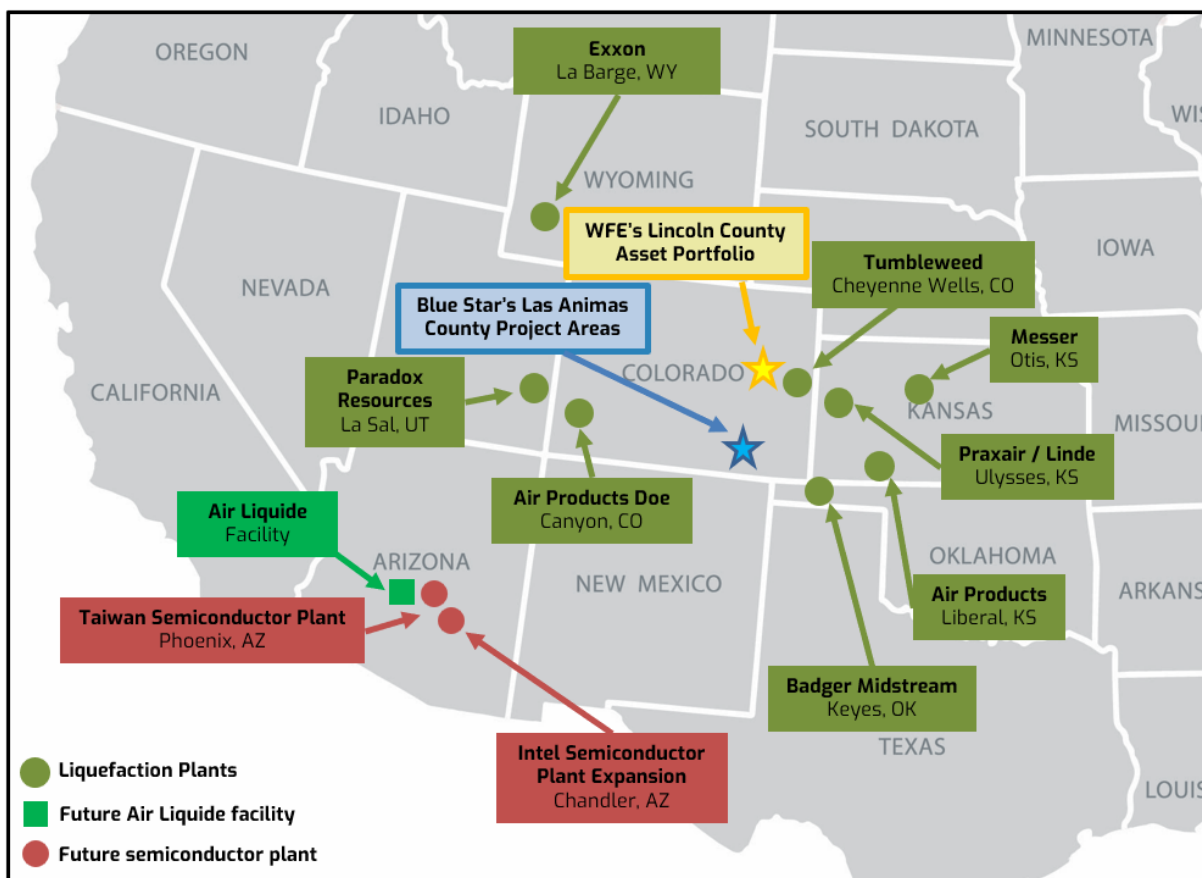
"A transformative opportunity like this is rare. To have numerous discovery wells that can be recompleted in zones where helium has already been discovered, coupled with existing infrastructure and processing site enabling a capex-lite development, is a compelling and accelerated helium production proposition."

“In addition, having a connection to the Tumbleweed gas gathering system, which feeds to the Ladder Creek helium processing liquefaction plant, allows for further opportunity for offset wells and expansion to increase gas through the Ladder Creek facility for on-processing to liquid helium.

“Subject to the exercise of the option, this transformative opportunity for the Company has resulted from an ongoing search to add additional helium producing reservoirs centrally located in the US to our portfolio. It has presented itself predominantly due to Blue Star’s technical and specialist helium expertise.

“We see this opportunity as an ideal fit with our existing portfolio and rich with operational synergies, being located approximately 100 miles from our existing Las Animas helium assets.

“Having another set of premium helium assets with a short development timeline in the heart of the largest market in the world, and located proximal to processing and transportation infrastructure, sets our business up to be a serious and reliable supplier of high-grade helium.



“We are excited to start testing the existing discovery wells quickly. Our plan, during the option period, is to evaluate existing helium zones, along with additional zones believed to contain helium, across the Morrow V11 and Keyes formations – in order to test our model and confirm commerciality.

“We believe additional opportunities may exist in the roughly 283 square miles of exclusive 3D seismic data. This area has not previously been interpreted with a focus on helium prospectivity and we look forward to bringing our subsurface skills to the area and unlocking potential vast additional helium volumes.

“In addition, the opportunity to diversify by purchasing all WFE assets, including existing oil and gas production delivering immediate cash flow, is a game changer with the potential to further accelerate our organic growth in both Las Animas and Lincoln & Cheyene Counties.

“We are currently evaluating potential acquisition funding options, including debt and/or strategic JV partnerships, prior to exercising the option, that will enable us to capitalise on this opportunity.

“Finally, I would like to emphasise that the execution of this agreement does not alter our focus to bring the world-class Galactica/Pegasus helium project in Las Animas into production during H1 2025, nor our intent to advance ongoing commercialisation activities across our key helium resources in Las Animas County.”

WFE’s helium assets

The transaction is an opportunity to purchase discovered undeveloped helium-containing gas zones capable of capex-lite development using existing well-bores, infrastructure and gas processing plant site, included as part of WFE’s helium assets.

In the Great Plains field, helium containing gas zones have been discovered in historic wellbores that are undeveloped. These include:

- Ma State #16 – up to 10,000 Mcfd @ 1.36% He (Morrow V11 Formation)
- Aloha Mula #9 – up to 10,000 Mcfd @ 1.46% He (Morrow V11 Formation)
- Bubba State #3 – up to 5,000 Mcfd @ 2.02% He (Keyes Formation)¹

In addition, a number of other wells have shown potential gas on logs in both the Morrow V11 and Keyes formations which require testing.

The assets include the existing Aloha Mula gas plant site which is available to receive the new helium processing facility.

Blue Star’s objective on proceeding is to convert existing well bores into helium production wells. The Company has been working with its engineering consultants on a plan of development and facility design.

WFE’s helium assets also include the Kregel well (helium content: 1.38%) and associated infrastructure connected to the Tumbleweed gas gathering system in Cheyene County, Colorado.

As part of the helium asset purchase approximately 283 square miles of exclusive 3D seismic is available for reprocessing and interpretation to unlock significant exploration upside in the area.

WFE’s entire asset portfolio

The alternative option is to purchase WFE’s entire asset portfolio in Lincoln and Cheyene Counties, Colorado, which includes the helium assets as well as the historic late-life oil and gas production that holds the majority of the acreage by production.

The assets comprise approximately 13,000 net mineral acres, 57 well bores including producing, water disposal, shut-in and abandoned wells, associated gathering systems and production infrastructure, 3-D seismic (previously mentioned) and the Kregel well which produces helium into the Ladder Creek Helium Plant and Gathering System. The vendors advise that the assets produced US\$3.4 million of net operating profit for the working interest owners in the 9 months to 30 September 2024.

The Company will continue its ongoing due diligence enquiries during the option period.

¹ See schedule for details disclosed in accordance with ASX Listing Rule 5.30.

Option agreement

The material terms of the Option Agreement are as follows:

(a) **Testing:**

- (i) Within 45 days of the execution date, Blue Star will choose up to four wells from the existing production wells for confirmation of flow rates and helium content. The selected wells may include wells where gas has been interpreted on logs and have the potential to significantly expand the footprint of the known helium reservoirs. The results of these tests will be used to confirm the Company's assessment of the productivity of the helium assets.
- (ii) Blue Star shall pay for the testing of selected wells. These tests are expected to cost around US\$65k per well and to commence soon depending on weather and field access.

(b) **Due diligence:** WFE shall provide full access to all files and records relating to the WFE Assets to allow Blue Star to continue its due diligence on the WFE Assets.

(c) **Purchase Options:**

- (i) **Option Deadline:** Blue Star has until the later of 3 months after the date testing operations commence or 35 days after the testing is completed, whichever is later, to decide if they wish to purchase WFE's helium assets or the entire portfolio (**Option Deadline**).
- (ii) **Options:**
 - (A) Acquire WFE's entire asset portfolio (**Asset Purchase Option**);
 - (B) Acquire the helium assets (**Partial Asset Option**); or
 - (C) Choose not to acquire any WFE assets.
- (iii) **Decision Process:** If Blue Star does not notify WFE in writing by the Option Deadline, it is assumed they chose not to exercise any options.

(d) **Partial Asset Option:** all raw gas containing helium reserves in the Great Plains Field for US\$4,000,000, including:

- Use or conveyance of enough wellbores and infrastructure to adequately drain the Morrow and Keyes formations where helium has been currently identified.
- An assignment of the relevant interest in the leases.
- Full access to interpret and reprocess approximately 283 square miles of proprietary 3D data for infill drilling and prospect generation in and area historically under explored for helium. AMI to be established where WFE will receive a 5% overriding royalty interest on any new prospects or wells drilled covered by 3D seismic in respect of all formations and minerals the subject of the relevant mineral lease.
- Helium processing facility will be located centrally on the existing Aloha Mula gas processing site.
- Kregel well and associated leases and gathering and sales infrastructure, including gas sales contract with Tumbleweed helium processing plant. Current Kregel well net revenue of \$45k annually (included in the net operating income above). Interpretation of offset well locations (not subject to the above AMI) to start to leverage connection to Tumbleweed helium processing facility.

(e) **Asset Purchase Option:** The Asset Purchase Option is to purchase WFE's entire asset portfolio in Lincoln and Cheyenne Counties (as described earlier in this announcement) for a total consideration of US\$10,200,000, including the assets described in paragraph (d) above, and:

- All wellbores (including producing wellbores) and associated gathering systems;

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- All mineral leases; and
- The Aloha Mula gas processing facility.

The Option Agreement otherwise contains terms standard for an agreement of its nature, including representations, warranties and confidentiality provisions.



The above photos taken during our due diligence visit show the Aloha Mula gas plant site, associated infrastructure as well as the Kregel A-1, MA State #16, Big Wampum #4, and Bubba State #3 wells.

Cautionary Statement

The Company notes that it does not presently have sufficient cash resources to fund the acquisition and further development of the WFE Assets. It is in discussions with a variety of parties regarding a number of financing alternatives including debt and joint venture partnering. The Company also notes that it is targeting H1 2025 for first helium production and sales at its Galactica project and that the WFE Assets currently generate material cashflows. Revenues from production can be utilised for the purposes of meeting ongoing exploration and development costs. The Company

does not intend to exercise the option to purchase the WFE Assets until it has established suitable funding. The Company is likely to undertake a placement in connection with the transaction.

Use of Funds: Aside from the well test costs to be incurred during the option period, the Company intends to apply its current cash to its current projects.

This ASX Announcement has been authorised for release by the Board of Blue Star Helium Limited and is intended to lift the suspension from quotation dated 18 December 2024.

For further information, please contact:

Trent Spry
Managing Director & CEO
info@bluestarhelium.com
+61 8 9481 0389

About Blue Star Helium:

Blue Star Helium Ltd (ASX:BNL OTCQB:BSNLF) 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

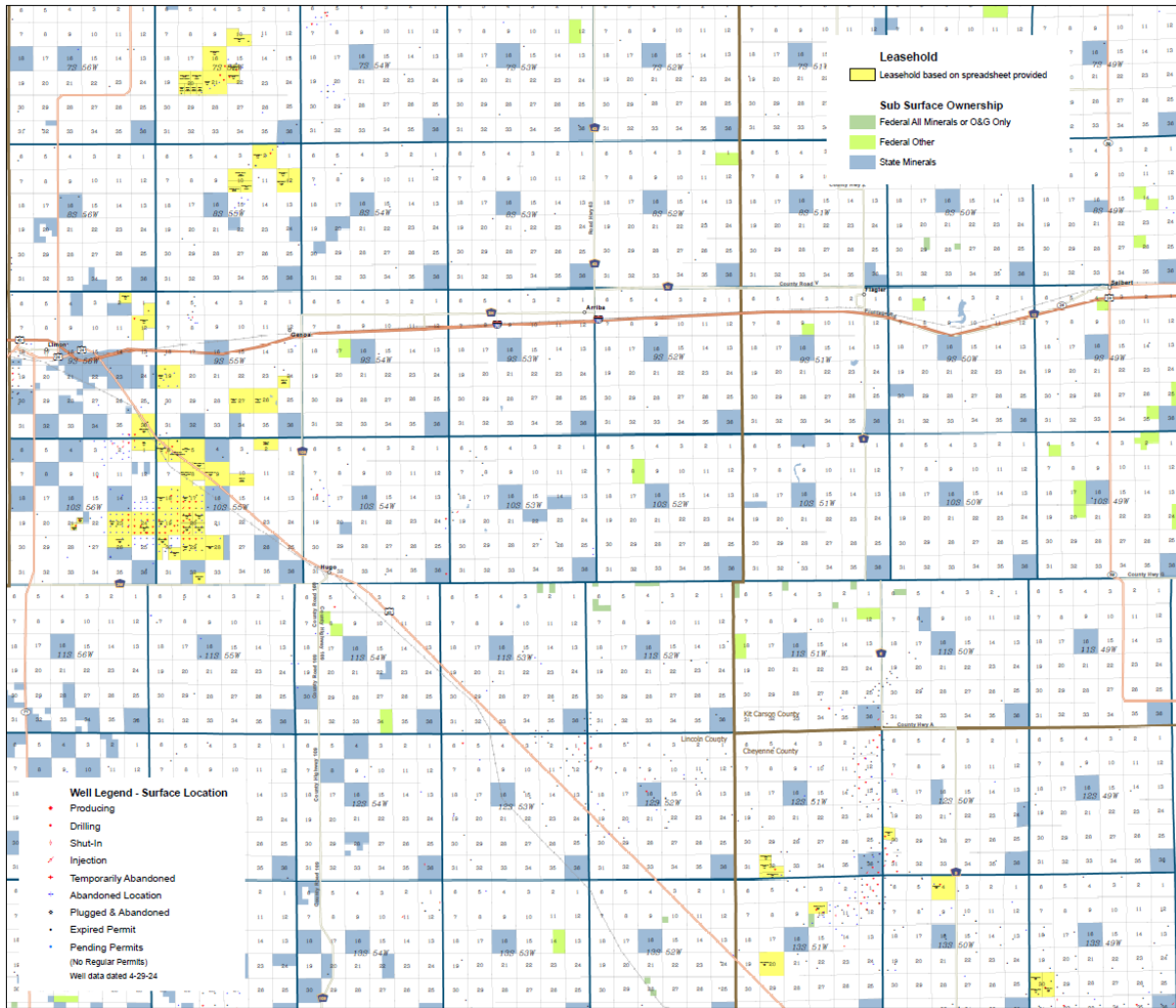
About Helium:

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.

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Schedule

WFE leases and wells



Key well information

5.30	Summary:	Response:
(a)	Name & type of well	Aloha Mula #9
(b)	Location of well and permit details	N/2SE Sec. 19-10S-55W
(c)	Working interest in well	Wiepking-Fullerton Energy LLC: 100% Blue Star group companies: nil
(d)	Net pay	8 ft
(e)	Geological rock type drilled	Sandstone
(f)	Depth of zones tested	7720-28 ft
(g)	Test types	Wellhead flow after perforation

(h)	Hydrocarbon phases recovered	Gas (mostly methane and nitrogen)
(i)	Other recovery	Helium 1.46%
(j)	Choke size etc	1-1/2" Choke
(k)	Pressures etc	1573 psi(a) BHP
(l)	No. of fracture stimulation stages	Nil
(m)	Other volumes	IP up to 10,000 mcf reported by Wiepking-Fullerton Energy LLC
(n)	Other information	Completed July 9, 2010 by Wiepking-Fullerton Energy LLC

5.30	Summary:	Response:
(a)	Name & type of well	Ma State #16
(b)	Location of well and permit details	NENW Sec. 24-10S-56W
(c)	Working interest in well	Wiepking-Fullerton Energy LLC: 100% Blue Star group companies: nil
(d)	Net pay	8 ft
(e)	Geological rock type drilled	Sandstone
(f)	Depth of zones tested	7753-7761 ft
(g)	Test types	Wellhead flow after perforation
(h)	Hydrocarbon phases recovered	Gas (mostly methane and nitrogen)
(i)	Other recovery	Helium between 1.23-1.36%
(j)	Choke size etc	2" Choke
(k)	Pressures etc	1498 – 634 psi(a) BHP
(l)	No. of fracture stimulation stages	Nil
(m)	Other volumes	IP up to 10,000 mcf reported by Wiepking-Fullerton Energy LLC
(n)	Other information	Completed Sept. 16, 2014 by Wiepking-Fullerton Energy LLC

5.30	Summary:	Response:
(a)	Name & type of well	Bubba State #3

(b)	Location of well and permit details	SENW Sec. 20-10S-55W
(c)	Working interest in well	Wiepking-Fullerton Energy LLC: 100% Blue Star group companies: nil
(d)	Net pay	10 ft
(e)	Geological rock type drilled	Sandstone
(f)	Depth of zones tested	7792-7802 ft
(g)	Test types	Wellhead flow after perforation
(h)	Hydrocarbon phases recovered	Gas (mostly methane and nitrogen)
(i)	Other recovery	Helium 2.02%
(j)	Choke size etc	2" Choke
(k)	Pressures etc	1622 psi(a) BHP
(l)	No. of fracture stimulation stages	Nil
(m)	Other volumes	5,000 mcf reported by Wiepking-Fullerton Energy LLC
(n)	Other information	Completed August 23, 2011 by Wiepking-Fullerton Energy LLC