

Blue Star Capital plc
(the “Company”)

Acquisition of assets

The Company announces that it has entered into a conditional agreement (the “Agreement”) with The PegasusBridge Defence & Security Fund Limited (the “Fund”) to acquire the Fund’s assets (the “Acquisition”), comprising convertible loan notes and equity in three unlisted companies operating in the homeland security industry (“HSI”), These companies are Pedagog Limited, Zimiti Limited and OmniPerception Limited.

The total value of the assets to be acquired as at 1 June 2009, which has been calculated using a combination of Actual Investment Value, British Venture Capital Association Guidelines and Fair Value in accordance with International Accounting Standards, is £2,148,049. In recognition of the fact that the Company already owns approximately 30.77% of the shares in the Fund, the consideration for the Acquisition will be £1,487,111 (which is 69.23% of the total value), satisfied by the issue of 45,063,965 new ordinary shares of 0.1 pence each fully paid at a price of 3.3 pence (the “Consideration Shares”). The Fund’s shareholders will enter into lock-in agreements whereby they will not, for the first 12 months, be able to dispose of the Consideration Shares (save in the event of (i) a general offer for the Company (ii) a scheme of arrangement or (iii) a section 110 re-organisation) and thereafter for a further 12 months will only be able to dispose of the Consideration Shares through the Company’s broker.

The Company does not currently have sufficient shareholder authority to issue the Consideration Shares, and therefore it will be posting a circular to shareholders in due course to convene a General Meeting to increase its authorities to allot shares. The Acquisition is conditional on the approval of the shareholders of the Company of this resolution, and the allotment and admission of the Consideration Shares to trading on AIM.

The Consideration Shares will rank *pari passu* with the existing ordinary shares and will represent 29.93% of the Company’s enlarged issued share capital. Application will be made for these shares to be admitted to trading on AIM dependant upon shareholder approval. The Agreement commits the Fund to distributing the Consideration Shares to the shareholders of the Fund (excluding the Company), and to winding up the Fund thereafter.

While the Acquisition is not a Related Party Transaction as set out in AIM rule 13, Richard Leaver, a director of the Company, is also a director and shareholder in the Fund. Lord Dear, the non-executive chairman of the Company, is also a shareholder in the Fund. Neither Dr Leaver nor Lord Dear have participated in the Fund’s discussions of the Acquisition.

The board of the Company considers that the Acquisition provides a clear opportunity to strengthen the Company’s portfolio in line with its strategic focus on the HIS sector, and it will also conserve the Company’s cash reserves for further investments in this sector.

For further information:

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Further information on the investee companies is set out below:

Zimiti Limited (www.zimiti.com) develops portable and robust wireless access control solutions for monitoring and control of security systems including electronic locks based upon its patented wireless technology platform. The company is making strong advances in both its product development and sales to customers in access control and electronic locks.

OmniPerception Limited (www.OmniPerception.com) which has successfully commercialised world leading research from the University of Surrey's Centre for Vision, Speech and Signal Processing led by Professor Josef Kittler. It has developed unique face biometrics technology for computer vision including applications such as secure access, machine-readable travel documents, identification and personalisation. This software is unique in that it can be deployed not just in security applications including the police services but also in civilian areas including social networking and broadcast, as well as variants which allow automatic logo brand recognition and quantification in video imagery for high value advertising tracking. In January 2009, OmniPerception confirmed a non-dilutionary development funding of £1.5 million including contribution in kind by BAE Systems.

Pedagog Limited (www.pedagog.com) develops cost effective SIM-enabled camera technology using mobile phone networks to create real-time video interaction via a middleware platform with simple setup. It offers both security solutions for commercial and private users at all levels including videoconference as well as the opportunity to establish a social network platform with live video.