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helios
Helios Energy Limited

Annual Report
30 June 2021

Contents

Helios Energy Ltd

ABN 61 143 932 110

Annual Report – 30 June 2021

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	15
Consolidated Financial Statements	16
Directors' Declaration	43
Independent Auditors Report To Members	44
Corporate Governance Statement	48
Shareholder Information	60

Corporate Directory

Directors	<p>Hui Ye Non-Executive Chairman</p> <p>Richard He Managing Director</p> <p>Nicholas Ong Non-Executive Director</p> <p>Robert Bearden Non-Executive Director</p>	
Company Secretary	John Palermo	
Registered Office	<p>Australian Office Level 3, 18 Richardson Street West Perth WA 6005 Australia PO Box 1485 West Perth WA 6872 Australia T: +61 1300 291 195 F: +618 6298 6191</p>	<p>USA Office 3 Riverway, 17th Floor Suite 1750, Houston Texas USA 77056 T: +1 713 333 3613 F: +1 713 583 0965</p>
Share Register	<p>Computershare Investor Services Pty Ltd Level 11, 172 St George's Terrace Perth WA 6000 Australia Investor enquiries: 1300 557 010 T:+618 9323 2000 F:+618 9323 2033</p>	
Auditor	<p>BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Australia T: +618 6382 4600 F: +618 6382 4601</p>	
Lawyers	<p>Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000 Australia T: +618 9321 4000 F: +618 9321 4333</p>	<p>Eaton Hall 20/10 Queen Victoria Street North Fremantle WA 6159 Australia T: +618 6382 0240</p>
Stock Exchange	<p>Australian Securities Exchange (ASX) ASX Code: HE8 and HE8OA</p>	
Website	<p>www.heliosenergy.com</p>	

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Directors' Report

Your directors present their report on the consolidated entity consisting of Helios Energy Ltd and the entities it controlled at the end of, or during, the financial year ended 30 June 2021 (**Helios Energy** or the **Company** or the **Group**).

Directors

The name of each person who has been a director during the reporting period and to the date of this report are:

HUI YE

appointed 1 December 2017

RICHARD HE

appointed 20 October 2017

NICHOLAS ONG

appointed 4 August 2017

ROBERT BEARDEN

appointed 14 February 2018

Company Secretary

JOHN PALERMO

appointed 10 September 2018

Principal Activities and Review of Operations

The Company is an onshore oil and gas exploration company whose principal activity is the Presidio Oil Project located in Presidio County, Texas, USA.

Presidio Oil Project - 70% Working Interest (WI) in 3 Wells and 85,685 Gross Acres

Upon the completion of the third well in the Presidio Oil Project, being the Presidio 141#2 well, Helios will have a 70%WI in a total of 85,685 gross acres (59,980 net acres) and a 70%WI in the 3 wells drilled by Helios in the Presidio Oil Project, namely, Presidio 141#2, Quinn Creek 141#1 and Quinn Mesa 113.

50% Increase in Ojinaga Formation Play Area – Now 300,000 Acres in Total

Helios has completed 88 miles of 2D seismic which has established a thick presence of Austin Chalk age equivalent Ojinaga Formation across Helios' entire acreage position of 85,685 gross acres. The thickness of the Ojinaga Formation ranges from 1,000 feet in the eastern section of Helios' acreage to 2,000 feet in the western section. In addition, these 88 miles of 2D seismic has established a thick presence of Ojinaga Formation across the entire Ojinaga Shale Formation play area which has now increased by 50% from approximately 200,000 acres to approximately 300,000 acres in size.

Gravity and Magnetic Data

Helios has acquired gravity and magnetic data over the entire Presidio Oil Project. Interpretation of that data has then been compared with the entire seismic programme, along with data from the 3 new wells and the existing old well data. The data sets, when compared, evidence a high degree of 'matching' or 'fit'. The presence therefore of the Ojinaga Formation across the entire Ojinaga Shale Formation play area can be easily mapped. This gravity and magnetic data analysis have played an important part in increasing the Presidio Oil Project play area to 300,000 acres.

Testing of Presidio 141#2 Well

Pressure build up testing of the Presidio 141#2 well continued during the financial year. After the pressure build up testing is fully completed, the Presidio 141#2 well will be returned to oil and gas production by natural unassisted flow. Production tubing will be run to the toe of the lateral portion of the well and the well will then be placed on artificial lift but only after the well has ceased to flow naturally. As the well is shallow with normal formation pressure, the well will require artificial lift for commercial oil production. The Presidio 141#2 well is a shallow well with a total measured depth of 5,846 feet including the fracked 1,400 feet horizontal portion which was drilled into the primary target zone within the lower bench of the Ojinaga Formation.

Presidio 141#2 Well

The 1,400 feet horizontal portion of the Presidio 141#2 well was drilled to the west towards the Quinn Creek 141#1 discovery well entirely within the zone of the best oil shows and highest natural fracturing that occurs within the 359 feet lower bench of the Ojinaga Formation present in the Presidio 141#2 well. The 1,400 feet horizontal was drilled into rock which has uniform geological characteristics. The entire 1,400 feet is predominantly black shale with micro laminations of siltstone and fine carbonates and is highly naturally fractured. Continuous, good to excellent oil shows were observed throughout the entire 1,400 feet of horizontal drilling. Oil was present in fractures and micro-fractures and oil shows with fast fluorescence cut and bright bluish white residual ring were recorded throughout the entire 1,400 feet of horizontal drilling. The 1,400 feet horizontal portion of the Presidio 141#2 well was fracked across 7 stages. Each stage is approximately 200 feet in length. The frack successfully injected approximately 3,313,000 pounds of proppant and approximately 64,000 barrels of completion fluid. The frack successfully injected approximately 2,366 pounds of proppant per lateral foot. The Presidio 141#2 well is located 2,300 feet to the east of the existing Quinn Creek 141#1 discovery well. The total measured depth of the Presidio 141#2 well is 5,846 feet and this includes the 1,400 feet horizontal portion drilled into the primary target zone within the lower bench of the Ojinaga Formation. The well is located structurally updip of the existing Quinn Creek 141#1 discovery well.

Ojinaga Formation - Easily Mapped with 2D & 3D Seismic

The lower bench of the Ojinaga Formation shows well on both 2D & 3D seismic and is easily mapped.

Porosity and Permeability in Lower Bench of the Ojinaga Shale Formation

Based on previous petrophysical analysis, the lower bench of the Ojinaga Shale Formation has porosity predominately ranging between 4% to 12.5% and permeability up to 0.75 μ d (micro darcys). The porosity of sidewall cores taken from the Presidio 141#2 well is 4% to 10% therefore confirming the previous petrophysical analysis. The permeability of the sidewall cores taken from the Presidio 141#2 well is significantly higher than the previous petrophysical analysis, up to 0.06 md (60 μ d). Analysis of the Quinn Creek 141#1 well and the Presidio 141#2 well as well as surrounding historical wells clearly shows that these porosity and permeability characteristics in Presidio County in the Ojinaga Shale Formation exceed the characteristics present in the Eagle Ford Shale in the Karnes Trough which is the premier sweet spot of the Eagle Ford Shale play.

High Quality Oil

The oil being produced and sold is high quality, mature, Eagle Ford type, 39 degrees API gravity light oil.

Well Location Identification

During the financial year Helios integrated all its geological and geophysical data with the aim of high grading multiple well locations that target the Ojinaga Formation (primary target) but which also include the Eagle Ford Formation (secondary target) as well as the older Cretaceous units being the Buda, Georgetown and Edwards limestone formations.

Directors' Report

Presidio Oil Project – Infrastructure

Access to the 3 wells that constitute the Presidio Oil Project (Presidio 141#2, Quinn Creek 141#1 and Quinn Mesa 113) is provided by a 25 mile unsealed, formed road constructed by Helios that branches off the sealed US-90 highway which carries heavy truck and passenger vehicle traffic. The 3 oil wells have access to ample supplies of fresh water provided by local water wells drilled into shallow water aquifers. The El Paso Oil Refinery located in El Paso, Texas has a processing capacity of 135,000 barrels of oil per day and is located 170 miles from the Presidio Oil Project. Crude oil is sold there by truck delivery. The Presidio Oil Project is located 250 miles (or 5 hours by truck) from Midland, Texas which is the epicenter of the Permian Basin oil industry. All rigs, supplies and services required for the Presidio Oil Project are sourced from Midland, Texas. Oil production in the Permian Basin is approximately 4,600,000 bopd.

New Drilling – 4th Well Location – Presidio Oil Project

In September 2021, Helios announced its plan to spud and complete a 4th well in its Presidio Oil Project located in Presidio County, Texas, USA by 31 December 2021.

Corporate Activity – Completion of \$11,440,000 Capital Raising

In February 2021, Helios conducted a capital raising of \$11,440,000 by the issue of 95,333,333 shares at a price of 12 cents per share. The placement was made to sophisticated and professional investors under the provisions of section 708 of the *Corporations Act 2001* (Cth). Settlement of the placement was completed in March 2021. The placement was conducted within the 15% placement capacity available to the Company in accordance with ASX Listing Rule 7.1. The funds raised from the placement were used for working capital purposes and to purchase additional oil and gas leases in the Presidio Oil Project located in Presidio County, Texas, USA.

Effect of Covid-19 Upon Operations

Like all other oil and gas companies operating in Texas, Helios has complied with all the local ordinances which have been declared in Texas to minimize the negatives health effects and outcomes of the Covid-19 pandemic.

Operating Result

The loss from operations as at the 30 June 2021 after providing for income tax was \$3,743,157 (2020: loss of \$8,817,519). Additional information on the operations and financial position of the Group and its business strategies and prospects are set out in this directors' report and the annual financial report.

Dividends

No dividends were paid or are proposed to be paid to members during the financial year.

Future Developments, Prospects and Business Strategies

Information on likely developments in the operations of the Group and the expected results of operations have not been included in the annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the group to the date of this report, not otherwise disclosed in this report.

Environmental Issues

The current Group's operations are subject to environmental regulations which apply to oil and gas exploration in Texas, USA. As all our oil and gas operations are in Texas in the United States of America, Helios is unaffected by the National Greenhouse and Energy Reporting requirements.

After Reporting Date Events

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by governments (Federal, State and local) both in the USA and Australia, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Corporate Activity – Completion of \$4,862,500 Capital Raising

In July 2021, Helios conducted a further capital raising of \$4,862,500 by way of the issue of 32,416,668 shares at a price of 15 cents per share. This placement was also made to sophisticated and professional investors under the provisions of section 708 of the *Corporations Act 2001* (Cth). This placement was also conducted within the 15% placement capacity available to the Company in accordance with ASX Listing Rule 7.1. The placement was jointly managed by CPS Capital Group Pty Ltd and Gleneagle Securities Pty Ltd. The funds raised from that placement will also be used for working capital purposes and to purchase additional oil and gas leases in the Presidio Oil Project located in Presidio County, Texas, USA.

Since balance date 62,583,334 options have been converted to shares to the value of \$1,251,667.

There has been no other matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Group's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Group's state of affairs in future financial years.

Information on Current Directors

HUI YE

(Non-Executive Chairman)

Experience and Expertise

Mr Ye is the Chairman and President of Beijing Chunhui Yuan Group which is a large and very successful private company with extensive interests in real estate, hotels, natural resources, education and entertainment.

Other Current Directorships

Nil

Former Directorships in the Last Three Years

Nil

Special Responsibilities

None

Interests in securities

Fully paid ordinary shares: 473,998,197 (50% interest via Notable Pioneer Limited)

Listed options: 131,578,162 (each with an exercise price of \$0.02 and expiring on 31 December 2021) (50% interest via Notable Pioneer Limited)

Directors' Report

RICHARD HE

(Managing Director)

Experience and Expertise

Mr He is an entrepreneur and venture capitalist in natural resources with a particular focus on oil and gas. Before moving to Houston to develop oil and gas opportunities, Richard was an investment banker and venture capitalist based in Shanghai and Beijing for more than 12 years with a capital markets practice and investment focus on Chinese equities listed on the major Chinese stock exchanges. Over the past 14 years, he has been based in Houston, Texas and has invested in and managed exploration and production shale plays in Texas, USA. He is noted for his successful development of the Halliday Oil Field in the Woodbine tight sands play located in East Texas in which he was a joint venture participant. After drilling 14 successful fracked horizontal wells, the joint venture participants sold the Halliday Oil Field to Halcon Resources for US\$520m. Richard holds a B.S. in Computer Science from Peking University in China.

Other Current Directorships

Nil

Former Directorships in the Last Three Years

Nil

Special Responsibilities

None

Interests in securities

Fully paid ordinary shares: 75,138,072 (interest via PAA Energy LLC)

Performance rights: 50,100,000 (interest via PAA Energy LLC)

Listed options: 329,750,000 (each with an exercise price of \$0.02 and expiring on 31 December 2021) (interest via PAA Energy LLC – 161,750,000 and interest via Antlers Energy Ltd – 168,000,000)

ROBERT BEARDEN

(Non-Executive Director)

Experience and Expertise

Mr Bearden has over 25 years of senior management experience in oil and gas exploration, development and production throughout the Gulf of Mexico, Kazakhstan, Indonesia, China, Iraq and West Africa. He was previously the President and CEO of the ASX listed public company Sino Gas & Energy Holdings (ASX Code: SEH) which under his leadership reached a market capitalization of \$375m. Prior to that role, he was the Operations Director for Addax (a Sinopec subsidiary) and the Production Excellence Manager for the Americas for Hess Corporation. He began his oil and gas career with Chevron where he worked for 27 years, and held positions including Managing Director Mid-Africa, Sr. Vice President EuroAsia, General Manager Tengizchevroil, and Operations Manager for the Gulf of Mexico. Mr Bearden has a Bachelor of Engineering degree from Texas A&M and a Master of Petroleum Engineering degree from Tulane University. He also holds a MBA from Purdue University and an International Masters in Management from ESCAP-EAP, Paris. Mr Bearden lives in Texas, USA, and he is a petroleum engineer by profession.

Other Current Directorships

Nil

Former Directorships in the Last Three Years

Nil

Special Responsibilities

None

Interests in securities

Fully paid ordinary shares: 1,000,000

Unlisted options: 15,000,000

NICHOLAS ONG

(Non-Executive Director)

Experience and Expertise

Mr Ong brings 16 years' experience in listing rules compliance and corporate governance. He is experienced in mining project finance, mining and milling contract negotiations, mine CAPEX & OPEX management, and toll treatment reconciliation. Mr Ong is a Fellow of the Governance Institute of Australia and Fellow of Institute of Chartered Secretaries and Administrators. He holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia. He has since worked as a company secretary and director to listed companies.

Other Current Directorships

White Cliff Minerals Ltd since 14 December 2018

Vonex Limited since 14 June 2016

Mie Pay Ltd since 15 July 2019

Beroni Group Ltd since 1 March 2021

Black Star Petroleum Ltd since 31 July 2018

CFOAM Ltd since 24 October 2020

2016 to 15 February 2018

Jiajiafu Modern Agriculture Ltd from 2 April 2016 to 21 November 2017.

Bojun Agriculture Holdings Ltd from 8 May 2017 to 30 June 2018

Special Responsibilities

None

Interests in securities

Fully paid ordinary shares: Nil

Listed options: Nil

Former Directorships in the Last Three Years

Arrow Minerals Ltd 15 June 2011 to 26 August 2019

CoAssets Ltd 18 March 2015 to 1 July 2019

Tianmei Beverage Group Corporation Ltd from 25 August

Directors' Interests in Shares and Options

At reporting date, Directors, in office, held a relevant interest in the following securities of the Company:

2021 Name	Ordinary Shares	Options Listed	Options Unlisted	Performance Rights
Hui Ye	473,998,197	131,578,162	-	-
Richard He	75,138,072	329,750,000	-	50,100,000
Nicholas Ong	-	-	-	-
Robert Bearden	1,000,000	-	15,000,000	-

Meetings of Directors

There was one meeting of the Company's Board of Directors held during the financial year up to and including 30 June 2021. This was attended by all directors.

The Board approvals for the business operations were conducted via circular resolution.

Directors' Report

Remuneration Report (Audited)

The principles adopted by the Board are set out under the following main headings:

- (1) Principles used to determine the nature and amount of remuneration
- (2) Details of remuneration
- (3) Employment contracts of Directors and Senior Executives
- (4) Performance based remuneration
- (5) Equity holdings of Key Management Personnel
- (6) Other transactions

The information provided under headings 1 to 4 above includes remuneration disclosures that are required under section 300A of the *Corporations Act 2001*.

1 Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- (i) competitiveness and reasonableness;
- (ii) acceptability to shareholders;
- (iii) performance linkage / alignment of executive compensation;
- (iv) transparency; and
- (v) capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' and program participants' interests:

- (i) focuses on sustained growth in shareholder wealth;
- (ii) attracts and retains high calibre executives;
- (iii) rewards capability and experience; and
- (iv) provides a clear structure for earning rewards.

Remuneration Governance

Fees and payments to directors and key management personnel reflect the demands and responsibilities of the positions and are in line with the general market and the financial condition of the Group. There are no minimum or maximum amounts. There is no remuneration committee. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at \$250,000 per annum as per the Group's constitution and may be varied by ordinary resolution of the shareholders in general meeting. The entire board which comprises four directors are responsible for remuneration packages. The Directors believe this is satisfactory given the size and complexity of Company operations.

Use of Remuneration Consultants

Remuneration consultants were not used in the establishment of remuneration packages in 2021.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

No relationship exists between the Company performance, earnings, shareholder wealth and Directors' and Executive Remuneration for this financial period and the previous 4 financial periods. The remuneration for the period is detailed below. No remuneration is currently performance related.

Group Performance

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current and previous years.

	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$
Revenue/other income	16,438	49,119	43,337	237,979	189,428
Net profit/ (loss)	979,768	(2,286,262)	(2,830,967)	(8,817,519)	(3,743,157)
Share price at year end	0.020	0.058	0.165	0.093	0.175
Profit/(loss) per share (cents)	0.22	(0.17)	(0.20)	(0.58)	(0.24)

Comments and Voting at Annual General Meeting

There were no comments or questions arising at the 2020 annual general meeting regarding remuneration. The Company remuneration report was passed by the requisite majority of shareholders (by a poll).

2 Details of Remuneration

The key management personnel of the Group, during the year, were:

Directors	Position	Date Appointed	Date Ceased
Hui Ye	Non-Executive Chairman	1 December 2017	-
Richard He	Managing Director	20 October 2017	-
Nicholas Ong	Non-Executive Director	4 August 2017	-
Robert Bearden	Non-Executive Director	14 February 2018	-

The amount of remuneration of the key management personnel is set out below:

	Short-term benefits	Post-employment benefits	Share based payments			Fixed remuneration	At risk - LTI
2021 Name	Cash salary and fees \$	Superannuation \$	Equity settled shares \$	Equity settled options \$	Total \$	%	%
Executive Directors:							
R He	320,324	-	-	-	320,324	100%	-
Non-Executive Directors							
H Ye	48,000	-	-	-	48,000	100%	-
N Ong	30,000	-	-	-	30,000	100%	-
R Bearden	48,000	-	-	963,104	1,011,104	5%	95%
TOTAL	446,324	-	-	963,104	1,409,428		

Directors' Report

Remuneration Report (continued)

Options granted during the year		
Date of issue	08/12/2020	08/12/2020
Number of options	5,000,000	10,000,000
Expected volatility (%)	70	70
Risk-free interest rate (%)	0.34	0.34
Expected life of the options (years)	5.07	5.07
Option exercise price (\$)	0.26	0.26
Share price at grant date (\$)	0.16	0.16
Vesting Period	08/12/2021	On issue
Fair value per option (\$)	0.075	0.075
Value at grant date (\$)	376,374	752,747
Expiry date	31/12/2025	31/12/2025

Options were issued to Robert Bearden during the year. These options are exercisable at \$0.255 on or before 31/12/2025. The options were issued in consideration for performance-based remuneration and the valuation of the options has been assessed using the Black Scholes method. The Company notes that 5,000,000 of the Related Party Options will be issued subject to the vesting condition such that one third of the Related Party Options will only vest to Mr Bearden (or his nominee) on the date falling 12 months after their issue. Remuneration Report (continued)

	Short-term benefits	Post-employment benefits	Share based payments			Fixed remuneration	At risk - LTI
2020 Name	Cash salary and fees \$	Superannuation \$	Equity settled shares \$	Equity settled options \$	Total \$	%	%
Executive Directors:							
R He	357,404	-	-	-	357,404	100%	-
Non-Executive Directors							
H Ye	48,000	-	-	-	48,000	100%	-
N Ong	30,000	-	-	-	30,000	100%	-
R Bearden	48,000	-	-	-	48,000	100%	-
TOTAL	483,404	-	-	-	483,404		

3 Service agreements of Directors and Senior Executives

Remuneration and other terms of employment for key management personnel are formalised in service agreements and letters of appointment. Details of these are as follows:

Name: Title: Agreement commenced: Term of agreement: Details:	Mr Hui Ye Non-Executive Chairman December 2017 3 years Mr Ye is paid AU\$4,000 per month in non-executive Director fees. It is confirmed that the work undertaken on additional executive duties will be paid a commercial rate. This does not form part of the non-executive director fees. There are no termination amounts payable.
Name: Title: Agreement commenced: Term of agreement: Details:	Mr Richard He Managing Director 20 October 2017 2 years Mr He is paid a consulting fee of US\$20,000 per month. The Fee is reviewed annually by the Company in accordance with the policy of the Company for the annual review of fees paid to consultants. The same terms have been rolled forward on a month by month basis. There are no termination amounts payable.
Name: Title: Agreement commenced: Term of agreement: Details:	Mr Nicholas Ong Non-Executive Director 4 August 2017 3 years Mr Ong is paid AU\$2,500 per month in non-executive Director fees. It is confirmed that the work undertaken on additional executive duties will be paid a commercial rate. This does not form part of the non-executive director fees. The same terms have been rolled forward on a month by month basis. There are no termination amounts payable.
Name: Title: Agreement commenced: Term of agreement: Details:	Mr Robert Bearden Non-Executive Director 14 February 2018 3 years Mr Bearden is paid AU\$4,000 per month in non-executive Director fees. It is confirmed that the work undertaken on additional executive duties will be paid a commercial rate. This does not form part of the non-executive director fees. There are no termination amounts payable.

Directors' Report

Remuneration Report (continued)

4 Performance-based Remuneration

The Board of Helios is presently comprised of 4 directors. The existing equity holdings of two directors (Mr Hui Ye and Mr Richard He) are sufficiently material in extent as to warrant a Board decision that no performance based remuneration is required since sufficient incentive to perform is derived from their existing equity holdings. The same rationale extends to all key management personnel. The remaining directors (Mr Robert Bearden and Mr Nicholas Ong) are non-executive directors and any performance based remuneration would only be in the form of options which would only be granted upon approval of Helios shareholders. Options were issued to Robert Bearden during the year. These options are exercisable at \$0.255 on or before 31/12/2025. The options were issued in consideration for performance-based remuneration.

There has been no other performance based remuneration paid to directors and key management personnel in the current or previous period.

5 Equity Holdings of Directors and Key Management Personnel

(a) Options holdings

Details of options held directly, indirectly or beneficially by directors and key management personnel and their related parties at 30 June 2021 are as follows:

2021	Held at 1/7/2020	Options acquired	Other movements	Held at 30/6/2021	Vested and exercisable at 30/6/2021
Directors:					
Hui Ye	131,578,162	-	-	131,578,162	131,578,162
Richard He	329,750,000	-	-	329,750,000	329,750,000
Nicholas Ong	-	-	-	-	-
Robert Bearden ¹	-	15,000,000	-	15,000,000	10,000,000
TOTAL	461,328,162	15,000,000	-	476,328,162	471,328,162

¹ Options were issued to Robert Bearden during the year. These options are exercisable at \$0.255 on or before 31/12/2025.

(b) Ordinary shareholdings

Details of equity instruments (other than options and performance shares) held directly, indirectly, or beneficially by directors and key management personnel and their related parties are as follows:

2021	Held at 1/7/2020	Shares acquired	Other changes	Balance 30/6/2021
Directors:				
Hui Ye	473,998,197	-	-	473,998,197
Richard He	75,138,072	-	-	75,138,072
Nicholas Ong	-	-	-	-
Robert Bearden	1,000,000	-	-	1,000,000
TOTAL	550,136,269	-	-	550,136,269

Hui Ye holds his interests in shares indirectly through Notable Pioneer Ltd of which he is a director and 50% shareholder.

Richard He holds his interests in shares through PAA Energy LLC of which he is sole director and is a 100% shareholder and Antlers Energy Corporation of which he is a director and 70% shareholder.

(c) Performance Rights

Details of equity instruments (other than ordinary shares and options) held directly, indirectly, or beneficially by directors and key management personnel and their related parties are as follows:

2021 Name	Held at 1/7/2020	Performance rights allotted	Performance rights expired	Balance 30/6/2021
Directors:				
Hui Ye	-	-	-	-
Richard He ¹	50,100,000	-	-	50,100,000
Nicholas Ong	-	-	-	-
Robert Bearden	-	-	-	-
TOTAL	50,100,000	-	-	50,100,000

¹ Refer to note 13 for further details.

Other transactions with key management personnel

There were no other transactions with Directors and Key Management Personnel during the year. There are no outstanding loans to or from related parties and no outstanding balances arising from sales / purchases of goods and services to or from related parties.

End of the audited remuneration report

Options

At the date of this report, there are 857,605,272 share options on issue which are exercisable at 2 cents each on or before 31 December 2021, 9,155,000 share options which are exercisable at 10 cents each on or before 31 December 2021, 10,000,000 share options which are exercisable at 15 cents each on or before 31 December 2021, 5,000,000 share options which are exercisable at 22 cents each on or before 31 December 2022 and a further 15,000,000 share options which are exercisable at 25.5 cents each or before 31 December 2025.

The names of persons who currently hold options are entered in a register kept by the Company pursuant to Section 170 of the *Corporations Act 2001*, which may be inspected free of charge. No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of the Company or any other corporation.

Performance rights

As at the date of this report, there are 240,000,000 Performance rights on issue. Every one (1) performance right will vest into one (1) ordinary share in Helios Energy Ltd on achievement of the following milestone:

- The average daily production (net to the Company) (pre-royalty) from the leases that comprise the Presidio Oil Project in excess of 1,200 barrels of oil equivalent (boe).

The directors will continue to assess the probability at each reporting date moving forward over the life of these rights.

Indemnifying of Officers or Auditor

The Company has Directors and Officers Insurance with KBI Pty Ltd. The Company does not have auditor insurance. The Directors believe this is reasonable given the size and complexity of the Company operations.

Directors' Report

Proceedings on Behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

Corporate Governance

The directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement included with this report.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-Audit Services

During the reporting period \$7,725 (2020: \$7,725) was paid or is payable for non-audit services provided by BDO.

The Board of Directors are satisfied that the provision of any non-audit services during the current or future periods is / will be compatible with the general standard of independence for auditors imposed by APES 110 code of ethics for professional accountants.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15 of this financial report.

Signed in accordance with a resolution of the board of directors



Richard He
Managing Director

30 September 2021

Auditor's Independent Declaration



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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF HELIOS ENERGY LIMITED

As lead auditor of Helios Energy Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Helios Energy Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J Prue', is written over a light grey signature line.

Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 30 September 2021

For personal use only

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue from operations	5	20,154	123,708
Other income	6	433	114,271
Foreign exchange gain		168,841	-
Fair value (loss) on investment	10	(404,054)	(52,250)
Administration costs	7	(2,309,408)	(2,990,117)
Operating costs		(35,551)	(49,778)
Corporate compliance costs		(105,259)	(101,112)
Corporate management fees		(78,000)	(55,458)
Audit and non-audit service fees		(37,209)	(37,758)
Share based payments	14	(963,104)	-
Impairment expense	11	-	(5,769,025)
Profit / (Loss) before income tax		(3,743,157)	(8,817,519)
Income tax expense	8	-	-
Profit / (Loss) after tax from operations		(3,743,157)	(8,817,519)
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation		(2,251,928)	560,322
Total comprehensive loss for the year attributable to the members of Helios Energy Ltd		(5,995,085)	(8,257,197)
		Cents	Cents
Gain/(Loss) per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic gain/(loss) per share	20	(0.24)	(0.58)
Diluted earnings per share	20	N/A	N/A

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2021

		30 June 2021	30 June 2020
	Note	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	9	9,903,911	3,048,853
Trade and other receivables		417,327	197,910
Total current assets		10,321,238	3,246,763
Non-current assets			
Investments	10	1,357,195	761,250
Exploration and Evaluation Expenditure	11	25,605,656	27,346,991
Total Non-current assets		26,962,851	28,108,241
Total assets		37,284,089	31,355,004
LIABILITIES			
Current liabilities			
Trade and other payables	12	362,988	406,687
Total current liabilities		362,988	406,687
Total liabilities		362,988	406,687
NET ASSETS		36,921,101	30,948,317
EQUITY			
Contributed equity	13	74,840,475	63,835,710
Reserves	13	454,881	1,743,705
Accumulated losses	15	(38,374,255)	(34,631,098)
TOTAL EQUITY		36,921,101	30,948,317

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

2021	Share capital	Option reserve	Foreign Currency Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance 1 July 2020	63,835,710	401,800	1,341,905	(34,631,098)	30,948,317
Profit/(Loss) for the year	-	-	-	(3,743,157)	(3,743,157)
Exchange differences on translation of foreign operations	-	-	(2,251,928)	-	(2,251,928)
Total comprehensive income / (loss) for year	-	-	(2,251,928)	(3,743,157)	(5,995,085)
Transactions with owners in their capacity as owners:					
Contribution of equity	11,803,526	-	-	-	11,803,526
Less capital raising costs	(798,761)	-	-	-	(798,761)
Options issued	-	963,104	-	-	963,104
Balance 30 June 2021	74,840,475	1,364,904	(910,023)	(38,374,255)	36,921,101
2020	Share capital	Option reserve	Foreign Currency Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance 1 July 2019	58,606,618	398,800	781,583	(25,813,579)	33,973,422
Profit/(Loss) for the year	-	-	-	(8,817,519)	(8,817,519)
Exchange differences on translation of foreign operations	-	-	560,322	-	560,322
Total comprehensive income / (loss) for year	-	-	560,322	(8,817,519)	(8,257,197)
Transactions with owners in their capacity as owners:					
Contribution of equity	5,623,594	-	-	-	5,623,594
Less capital raising costs	(391,502)	-	-	-	(391,502)
Options issued	(3,000)	3,000	-	-	-
Balance 30 June 2020	63,835,710	401,800	1,341,905	(34,631,098)	30,948,317

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021	2020
			\$
Cash flow from operating activities			
Receipts from operations		114,944	120,642
Interest received		-	4,298
Payments to suppliers and employees		(2,921,346)	(4,784,521)
Net cash outflow from operations	19	(2,806,402)	(4,659,581)
Cash flows from investing activities			
Payments for exploration and evaluation		(343,305)	(5,416,871)
Purchase of financial assets	10	(1,000,000)	(500,000)
Net cash outflow from investing activities		(1,343,305)	(5,916,871)
Cash flows from financing activities			
Proceeds from the issue of shares		11,748,026	5,595,048
Costs associated with capital raising		(743,261)	(362,956)
Net cash inflow from financing activities		11,004,765	5,232,092
Net increase/(decrease) in cash and cash equivalents		6,855,058	(5,344,360)
Cash and cash equivalents at the beginning of the year		3,048,853	8,393,213
Cash and cash equivalents at the end of the year	9	9,903,911	3,048,853

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

30 June 2021

1 Summary of significant accounting policies

(a) Going concern

This report is prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

(b) Basis of preparation

The financial statements include the financial statements and notes of Helios Energy Ltd, a public limited entity, and its controlled entities for the year ended 30 June 2021. The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Helios Energy Limited is a for profit entity for the purposes of preparing the financial statements. The financial statements have been approved for issue by the Board of Directors on 30 September 2021.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below. They have been consistently applied unless otherwise stated. The financial statements have been prepared on an accruals basis and are based on historical costs except for investments which are recognised at their fair value in the profit and loss.

(c) Adoption of New and Revised Accounting Standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Standards issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

1 Summary of significant accounting policies (continued)

(d) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Helios Energy Ltd as at 30 June 2021 and the results of all subsidiaries for the period then ended. Helios Energy Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction proves evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries are accounted for in the parent entity financial statements at cost.

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

1 Summary of significant accounting policies (continued)

If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit and loss statement.

(g) Cash and Cash Equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the period which are unpaid. They are recognised initially at fair value and subsequently at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Contributed Equity

Ordinary shares are classified as equity. Costs associated with capital raisings (exclusive of GST) directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable costs associated with capital raisings (net of income taxes) is recognised directly in equity.

(j) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit / (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated exclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

1 Summary of significant accounting policies (continued)

(k) Goods and Services Tax (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(l) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(m) Share Based Payment Transactions

The Group may provide benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The fair value of these payments is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options granted is adjusted to reflect market conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions, if any, are included in assumptions about the number of options likely to be exercisable.

The grant date fair value of performance shares granted under asset acquisition agreements is recognised as an increase in the cost of the investment with a corresponding increase in equity. The Group issued performance shares rights as part of the acquisition of the Presidio Oil Project as outlined in Note 13(f). The Group follows the guidelines of AASB 2 'Share based payments' and takes into account the probability of achieving these performance conditions.

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(o) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets

Notes to the Consolidated Financial Statements (continued)

30 June 2021

1 Summary of significant accounting policies (continued)

(o) Investments and other financial assets (continued)

are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

(p) Foreign Currency Translation

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at the average exchange rate for the period being reported on; and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in the foreign currency translation reserve. When a foreign operation is sold the associated exchange differences are reclassified to the Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

1 Summary of significant accounting policies (continued)

(q) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(r) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

2 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The Group's activities expose it to a variety of financial risks; market risk (including fair value and interest rate risk), credit risk, liquidity risk, foreign exchange fluctuations, cash flow and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the board of directors under policies approved by the Board. The board identifies and evaluates financial risks for overall risk management.

Foreign Exchange Risk

As a result of operations in the United States, China and Cayman Islands, in both US dollars and Chinese Yuan, The Group's Statement of Financial Position can be affected by movements in exchange rates. The Group does not hedge this exposure.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

2 Financial Risk Management (continued)

The Group manage its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained to meet current operational commitments.

The Group's exposure to foreign exchange risk for changes in exchange rates has no material impact on the Group due to the small balances of cash, receivables and payables.

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

Interest Rate Risk

As the Group has no significant interest-bearing assets other than cash at bank, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The risk arises due to changes in interest rates offered by the bank. The risk is managed by seeking alternative quotes from competing banks.

2021	Floating interest rate	Non-interest bearing	Total	Weighted average effective interest rate
Financial Instruments	\$	\$	\$	%
<i>(i) Financial assets</i>				
Cash assets	2,313,286	7,590,625	9,903,911	0.004
Trade & other receivables	-	419,155	419,155	
Investments	-	1,357,195	1,357,195	
Total financial assets	2,313,286	9,366,975	11,680,261	

2020	Floating interest rate	Non-interest bearing	Total	Weighted average effective interest rate
Financial Instruments	\$	\$	\$	%
<i>(i) Financial assets</i>				
Cash assets	2,996,253	52,600	3,048,853	0.087
Trade & other receivables	-	197,910	197,910	-
Investments	-	761,250	761,250	-
Total financial assets	2,996,253	1,011,760	4,008,013	

The net fair value of financial assets and liabilities are materially in line with their carrying values.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group has no long term or short term debt and its risk with regard to liquidity relates to its ability to maintain its current operations prior to the generation of future income streams. The Group's ability to raise equity funding in the market is paramount in this regard. The Group manages liquidity by ensuring that it has at least sufficient cash to meet its budgeted commitments for at least 12 months. As at 30 June 2021, the trade and other payables balance are all less than 6 months.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

2 Financial Risk Management (continued)

Credit Risk

The Group has no significant concentrations of credit risk. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.

Cash at bank and short term bank deposits	2021	2020
	\$	\$
Westpac Banking Corporation - AA	9,237,038	3,004,450
JPMorgan Chase Bank - A-	448,609	44,403
HSBC – A+	218,264	-
	<u>9,903,911</u>	<u>3,048,853</u>

Fair Value Measurement

Fair Value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices includes within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability.

Consolidated 2021	Level 1	Level 2	Level 3
	\$	\$	\$
Assets			
Investments	1,357,195	-	-
	<u>1,357,195</u>	<u>-</u>	<u>-</u>
Consolidated 2020	Level 1	Level 2	Level 3
	\$	\$	\$
Assets			
Investments	761,250	-	-
	<u>761,250</u>	<u>-</u>	<u>-</u>

Notes to the Consolidated Financial Statements (continued)

30 June 2021

3 Critical Accounting Estimates, Judgements and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial period are discussed below.

Share-based payments

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using valuation methods including the Black Scholes valuation model and the Binomial – barrier up and in model taking into account the terms and conditions upon which the instruments were granted. Management are required to make judgements and estimates in respect of the inputs in the models used to value the various equity instruments. If these judgements changed, the valuation, and therefore the figures in the financial statements, would change as well.

Impairment of deferred exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Capitalisation of expenditure requires the consolidated group to make a judgement on the extent that expenditure on exploration and evaluation assets will likely be recovered in the future, through mineral extraction or some other form of commercialisation of the exploration and evaluation stage assets. The Board and Management have assessed the carrying value of the Exploration and Evaluation Expenditure to be impaired. Refer to the accounting policy stated in note 1(l) and to note 11 for movements in the exploration and evaluation expenditure balance.

Deferred tax assets

The Group expects to have carried forward tax losses, which have not been recognised as deferred tax assets. The utilisation of tax losses is subject to the Group passing the required Continuity of Ownership and Same Business Test rules at the time the losses are expected to be utilised. Deferred tax assets are only recognised to the extent that it is probable that future maintainable profits will utilise the carry forward losses, which requires judgements relating to the ability of the company to generate future surplus taxable income.

Performance Rights

As at the date of this report, there are 240,000,000 Performance rights on issue. Judgement has been applied in assessing that as at the date of this report, there is no significant or probable likelihood that the performance milestones will be achieved within the timeframes required and therefore no value is currently attributed to these performance rights. The directors will continue to assess the probability at each reporting date moving forward over the life of these rights. Refer to Note 13(f) for further details.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

4 Segment Information

Identification of reportable operating segments

The Group is organised into one operating segment, being exploration in the USA. This is based on the internal reports that are being reviewed by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources. As a result, the operating segment information is disclosed in the statements and notes to the financial statements throughout the report.

5	Revenue from operations	2021	2020
		\$	\$
	Oil Sales	20,154	123,708
		20,154	123,708

6	Other income	2021	2020
		\$	\$
	Interest received	433	4,298
	COVID-19 Financial Assistance	-	109,648
	Miscellaneous Income	-	325
		433	114,271

7	Administration Costs	2021	2020
		\$	\$
	Administration & accounting consultancy fees	(478,427)	(652,315)
	General legal fees	(74,675)	(88,288)
	Advertising & marketing costs	-	(45,500)
	Contract Labour	(56,724)	(74,459)
	Personnel – USA based	(1,405,062)	(1,578,579)
	Telecommunication costs	(1,159)	(20)
	Travel costs	(140,782)	(382,072)
	Depreciation expense	(1,555)	(1,082)
	General insurance costs	(102,202)	(110,123)
	Other	(48,822)	(57,679)
	Total Administration Costs	(2,309,408)	(2,990,117)

8	Income Tax Expense	2021	2020
		\$	\$
a.	The components of tax expense comprise:		
	Current tax	-	-
	Deferred tax	-	-
	Under provision from prior year	-	-
		-	-
b.	The prima facie tax benefit on profit / (loss) from ordinary activities before income tax is reconciled to income tax as follows:		
	Prima facie tax benefit on profit / (loss) from ordinary activities before income tax at 30% (2020:30%)	(1,122,947)	(2,644,956)
	Add tax effect of:		
	- Revenue losses not recognised	510,074	659,365
	- Other non-allowable items	344,710	1,731,375

Notes to the Consolidated Financial Statements (continued)

30 June 2021

8	Income Tax Expense	2021	2020
		\$	\$
	- Differences in tax rate of subsidiaries operating in other jurisdictions	181,581	216,897
	- Other deferred tax balances not recognised	86,582	37,319
		<u>-</u>	<u>-</u>
	Less tax effect of:		
	- Other deferred tax balances not recognised	-	-
	Income tax	<u>-</u>	<u>-</u>
c.	Unrecognised deferred tax assets:		
	Carry forward revenue losses	3,696,886	2,526,209
	Carry forward capital losses	4,265,958	4,265,958
	Capital raising costs	38,635	68,887
	Provisions and accruals	6,023	26,838
	Investments	105,541	15,675
	Exploration	(1,423,062)	(205,567)
	Other	-	553
	Net deferred tax	<u>6,689,981</u>	<u>6,698,553</u>

The tax benefits of the above deferred tax assets will only be obtained if:

- (a) The company derives future assessable income of a nature and amount sufficient to enable the benefits to be utilised;
- (b) The company continues to comply with the conditions for deductibility imposed by law; and
- (c) No changes in income tax legislation which adversely affect utilising benefits.

9	Current assets – Cash and cash equivalents	2021	2020
		\$	\$
	Cash at bank and in hand	9,903,911	3,048,853
	Closing balance cash at bank and in hand	<u>9,903,911</u>	<u>3,048,853</u>

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash at bank and in hand. The Group does not have any restrictions on its bank accounts recognised as cash.

Refer to note 2 for the risk management policy of the Group

Notes to the Consolidated Financial Statements (continued)

30 June 2021

10 Investments	2021	2020
	\$	\$
Shares in Winchester Energy Limited		
Opening fair value	761,250	313,500
Additions	552,836	500,000
Funds pending allotment ¹	447,164	-
Fair value movement	(404,055)	(52,250)
Closing fair value	<u>1,357,195</u>	<u>761,250</u>

Under the terms of AASB 9 Financial Instruments the investment has been classified as fair value through profit and loss.

¹ During the period, funds were invested in additional shares in Winchester Energy Limited. A placement of shares was offered in two tranches (Tranche 1 \$552,836 and Tranche 2 \$447,164). At 30 June 2021, only Tranche 1 shares had been issued with the balance of shares being issued on 26 August 2021. Tranche 2 funds are shown as “Funds pending allotment”.

11 Exploration and Evaluation Expenditure	2021	2020
	\$	\$
Exploration and Evaluation Phase		
Opening balance	27,346,991	27,139,905
Exploration costs	385,279	5,405,179
Foreign exchange difference on translation	(2,126,614)	570,932
Impairment expense ⁽¹⁾	-	(5,769,025)
Closing balance	<u>25,605,656</u>	<u>27,346,991</u>

⁽¹⁾ The Trinity leases expired in the prior year therefore all exploration and evaluation expenditure in relation to that area have been written off.

Exploration costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

12 Trade and other payables	2021	2020
	\$	\$
Trade and other payables – current and unsecured	362,988	406,687
	<u>362,988</u>	<u>406,687</u>

Refer to note 2 for the risk management policy of the Group.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

13 Contributed Equity

(a) Share Capital	2021 Shares	2021 \$	2020 Shares	2020 \$
Ordinary shares fully paid	1,651,104,002	74,840,475	1,543,349,506	63,835,710

(b) Movement in Ordinary Share Capital

2021 Date	Details	Number of shares	Issue price	Amount \$
01/07/2020	Opening balance	1,543,349,506		63,835,710
31/07/2020	Conversion of options to ordinary shares	1,000,000	0.02	20,000
24/09/2020	Conversion of options to ordinary shares	200,000	0.02	4,000
15/10/2020	Conversion of options to ordinary shares	700,000	0.02	14,000
22/10/2020	Conversion of options to ordinary shares	174,411	0.02	3,488
27/10/2020	Conversion of options to ordinary shares	150,000	0.10	15,000
03/11/2020	Conversion of options to ordinary shares	400,000	0.02	8,000
10/11/2020	Conversion of options to ordinary shares	100,000	0.10	10,000
13/11/2020	Conversion of options to ordinary shares	200,000	0.02	4,000
13/11/2020	Conversion of options to ordinary shares	250,002	0.02	5,000
25/11/2020	Conversion of options to ordinary shares	70,000	0.10	7,000
26/11/2020	Conversion of options to ordinary shares	1,000,000	0.02	20,000
04/12/2020	Conversion of options to ordinary shares	100,000	0.10	10,000
07/12/2020	Conversion of options to ordinary shares	100,000	0.02	2,000
14/12/2020	Conversion of options to ordinary shares	140,000	0.10	14,000
08/01/2021	Conversion of options to ordinary shares	35,000	0.10	3,500
02/03/2021	Conversion of options to ordinary shares	250,000	0.10	25,000
04/03/2021	Share issue	95,333,357	0.12	11,440,003
10/03/2021	Share issue	100,000	0.12	12,000
10/03/2021	Share issue	300,000	0.15	43,500
10/03/2021	Less capital raising costs			(798,761)
29/03/2021	Conversion of options to ordinary shares	500,000	0.02	10,000
28/04/2021	Conversion of options to ordinary shares	500,000	0.02	10,000
18/05/2021	Conversion of options to ordinary shares	150,000	0.02	3,000
20/05/2021	Conversion of options to ordinary shares	3,333,334	0.02	66,667
25/05/2021	Conversion of options to ordinary shares	1,000,000	0.02	20,000
11/06/2021	Conversion of options to ordinary shares	500,000	0.02	10,000
16/06/2021	Conversion of options to ordinary shares	1,168,392	0.02	23,368
30/06/2021	Balance	1,651,104,002		74,840,475

Notes to the Consolidated Financial Statements (continued)

30 June 2021

13 Contributed Equity (continued)

(b) Movement in Ordinary Share Capital

2020 Date	Details	Number of shares	Issue price	Amount \$
01/07/2019	Opening balance	1,496,670,252		58,606,618
23/08/2019	Conversion of options to ordinary shares	400,000	0.020	8,000
28/08/2019	Conversion of options to ordinary shares	173,941	0.020	3,479
03/09/2019	Conversion of options to ordinary shares	450,000	0.020	9,000
05/09/2019	Conversion of options to ordinary shares	966,667	0.020	19,333
12/09/2019	Conversion of options to ordinary shares	301,001	0.020	6,020
26/09/2019	Conversion of options to ordinary shares	2,968,079	0.020	59,362
11/11/2019	Conversion of options to ordinary shares	1,600,000	0.020	32,000
13/11/2019	Conversion of options to ordinary shares	299,000	0.020	5,980
13/12/2019	Share issue	27,435,789	0.190	5,212,800
13/12/2019	Broker shares issue	131,000	0.195	25,545
13/12/2019	Less capital raising costs			(391,502)
18/12/2019	Conversion of options to ordinary shares	300,000	0.020	6,000
20/01/2020	Conversion of options to ordinary shares	713,669	0.020	14,273
04/02/2020	Conversion of options to ordinary shares	200,000	0.020	4,000
12/02/2020	Conversion of options to ordinary shares	5,000,000	0.020	100,000
21/02/2020	Conversion of options to ordinary shares	143,000	0.020	2,860
25/02/2020	Conversion of options to ordinary shares	2,218,693	0.020	44,374
19/03/2020	Conversion of options to ordinary shares	100,000	0.020	2,000
07/04/2020	Conversion of options to ordinary shares	3,000,000	0.020	60,000
04/05/2020	Conversion of options to ordinary shares	278,415	0.020	5,568
30/06/2020	Balance	1,543,349,506		63,835,710

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c)	Option Premium Reserve	2021 Number	2021 \$	2020 Number	2020 \$
		959,343,606	1,364,904	956,364,745	401,800

Notes to the Consolidated Financial Statements (continued)

30 June 2021

13 Contributed Equity (continued)

(d) Movement in Option Premium Reserve

2021 Date	Details	Number of options	Amount \$
01/07/2020	Opening balance	956,364,745	401,800
31/07/2020	Conversion of options to ordinary shares	(1,000,000)	
24/09/2020	Conversion of options to ordinary shares	(200,000)	
15/10/2020	Conversion of options to ordinary shares	(700,000)	
22/10/2020	Conversion of options to ordinary shares	(174,411)	
27/10/2020	Conversion of options to ordinary shares	(150,000)	
03/11/2020	Conversion of options to ordinary shares	(400,000)	
10/11/2020	Conversion of options to ordinary shares	(100,000)	
13/11/2020	Conversion of options to ordinary shares	(200,000)	
13/11/2020	Conversion of options to ordinary shares	(250,002)	
25/11/2020	Conversion of options to ordinary shares	(70,000)	
26/11/2020	Conversion of options to ordinary shares	(1,000,000)	
04/12/2020	Conversion of options to ordinary shares	(100,000)	
07/12/2020	Conversion of options to ordinary shares	(100,000)	
14/12/2020	Conversion of options to ordinary shares	(140,000)	
07/01/2021	Options issued - exercisable at \$0.255 on or before 31/12/2025	15,000,000	963,104
08/01/2021	Conversion of options to ordinary shares	(35,000)	
02/03/2021	Conversion of options to ordinary shares	(250,000)	
29/03/2021	Conversion of options to ordinary shares	(500,000)	
28/04/2021	Conversion of options to ordinary shares	(500,000)	
18/05/2021	Conversion of options to ordinary shares	(150,000)	
20/05/2021	Conversion of options to ordinary shares	(3,333,334)	
25/05/2021	Conversion of options to ordinary shares	(1,000,000)	
11/06/2021	Conversion of options to ordinary shares	(500,000)	
16/06/2021	Conversion of options to ordinary shares	(1,168,392)	
30/06/2021	Balance	959,343,606	1,364,904

Notes to the Consolidated Financial Statements (continued)

30 June 2021

13 Contributed Equity (continued)

(d) Movement in Option Premium Reserve

2020 Date	Details	Number of options	Amount \$
01/07/2019	Opening balance	970,477,210	398,800
23/08/2019	Conversion of options to ordinary shares	(400,000)	-
28/08/2019	Conversion of options to ordinary shares	(173,941)	-
03/09/2019	Conversion of options to ordinary shares	(450,000)	-
05/09/2019	Conversion of options to ordinary shares	(966,667)	-
12/09/2019	Conversion of options to ordinary shares	(301,001)	-
26/09/2019	Conversion of options to ordinary shares	(2,968,079)	-
11/11/2019	Conversion of options to ordinary shares	(1,600,000)	-
13/11/2019	Conversion of options to ordinary shares	(299,000)	-
13/12/2019	Broker options exercisable at \$0.22 on or before 31/12/2022. Issued at 13/12/19 value 0.0006	5,000,000	3,000
18/12/2019	Conversion of options to ordinary shares	(300,000)	-
20/01/2020	Conversion of options to ordinary shares	(713,669)	-
04/02/2020	Conversion of options to ordinary shares	(200,000)	-
12/02/2020	Conversion of options to ordinary shares	(5,000,000)	-
21/02/2020	Conversion of options to ordinary shares	(143,000)	-
25/02/2020	Conversion of options to ordinary shares	(2,218,693)	-
19/03/2020	Conversion of options to ordinary shares	(100,000)	-
07/04/2020	Conversion of options to ordinary shares	(3,000,000)	-
04/05/2020	Conversion of options to ordinary shares	(278,415)	-
30/06/2020	Balance	956,364,745	401,800

Major Terms and Conditions of Options

	Number of options	Issue date	Expiry date	Exercise price
Listed	920,188,606	07/04/2017	31/12/2021	\$0.02
Unlisted	9,155,000	05/04/2018	31/12/2021	\$0.10
Unlisted	10,000,000	13/02/2019	31/12/2021	\$0.15
Unlisted	5,000,000	13/12/2019	31/12/2022	\$0.22
Unlisted	15,000,000	08/12/2020	31/12/2025	\$0.255

Options were issued to Robert Bearden during the year. These options are exercisable at \$0.255 on or before 31/12/2025. The options were issued in consideration for performance-based remuneration and the valuation of the options has been assessed using the Black Scholes method. The Company notes that 5,000,000 of the Related Party Options will be issued subject to the vesting condition such that one third of the Related Party Options will only vest to Mr Bearden (or his nominee) on the date falling 12 months after their issue. Refer to Note 14.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

13 Contributed Equity (continued)

(e) Options

At reporting date, share options on issue to take up fully paid Ordinary Shares in the capital of the Company are as follows:

2021 Options	No. of Options Outstanding	Expiry Date	Exercise Price
	920,188,606	31/12/2021	\$0.02
	9,155,000	31/12/2021	\$0.10
	10,000,000	31/12/2021	\$0.15
	5,000,000	31/12/2022	\$0.22
	15,000,000	31/12/2025	\$0.255
TOTAL	959,343,606		

(f) Performance Rights Reserve

Performance rights were issued as part of the purchase price of the Presidio Oil Project.

In calculating the value of the performance shares issued the following inputs were used:

	Performance Rights
Number of shares	240,000,000
Underlying share price	2 cents
Probability of achieving milestone	0%
Value of performance share	\$4.8m
Calculated value	\$nil
Expiry date	31/12/2021

Every one (1) performance right will vest into one (1) ordinary share in Helios Energy Ltd on achievement of the following milestone:

- The average daily production (net to the Company) (pre-royalty) from the leases that comprise the Presidio Oil Project in excess of 1,200 barrels of oil equivalent (boe).

As at reporting date, the milestone has not been assessed as probable, hence no value has been attributed to the performance rights.

(g) Movement in Performance Rights Reserve

2021 Date	Details	Number of rights	Issue price	Amount \$
01/07/2020	Opening balance	240,000,000		-
30/06/2021	Closing Balance	<u>240,000,000</u>		<u>-</u>
2020 Date	Details	Number of rights	Issue price	Amount \$
01/07/2019	Opening balance	240,000,000		-
30/06/2020	Closing Balance	<u>240,000,000</u>		<u>-</u>

Notes to the Consolidated Financial Statements (continued)

30 June 2021

13 Contributed Equity (continued)

(h) Reserves	2021 \$	2020 \$
Foreign Currency Reserve	(910,023)	1,341,905
Option Reserve	1,364,904	401,800
	<u>454,881</u>	<u>1,743,705</u>

Option Reserve

The option reserve is used to recognise funds received from options issued to shareholders. The reserve is recognised in contributed equity when the options are exercised and converted to ordinary share capital.

Share Based Payment Reserve

The share based payment reserve is used to recognise the fair value of unlisted options issued to employees but not converted into ordinary shares. The reserve is recognised in contributed equity when and if the relevant milestone is attained within the specified period and as a result the unlisted options concerned convert to ordinary shares.

Performance Rights Reserve

The performance rights reserve is used to recognise the fair value of performance rights issued to the vendors of the Presidio Oil Project but not converted into ordinary shares. The reserve is recognised in contributed equity when and if the relevant milestone is attained within the specified period and as a result the performance rights convert to ordinary shares.

Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising on consolidation of subsidiaries with different functional currencies from that of the parent entity.

(i) Capital Risk Management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the return of capital to shareholders, issue new shares or sell assets to reduce debt. The Group defines capital as cash and cash equivalents plus equity.

The board of directors monitors capital on an ad-hoc basis. No formal targets are in place for return on capital. There are no gearing ratios as the Group has not derived any income from their oil and gas exploration and currently has no debt facilities in place.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

14 Share Based Payments

Options

Options granted during the period have been valued using the Black-Scholes Option Valuation Model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for the assumptions used for grants during the period.

Date of issue	08/12/2020	08/12/2020
Number of options	5,000,000	10,000,000
Expected volatility (%)	70	70
Risk-free interest rate (%)	0.34	0.34
Expected life of the options (years)	5.07	5.07
Option exercise price (\$)	0.26	0.26
Share price at grant date (\$)	0.16	0.16
Vesting Period	08/12/2021	On issue
Fair value per option (\$)	0.075	0.075
Value at grant date (\$)	376,374	752,747
Expiry date	31/12/2025	31/12/2025

Options were issued to Robert Bearden during the year. These options are exercisable at \$0.255 on or before 31/12/2025. The options were issued in consideration for performance-based remuneration and the valuation of the options has been assessed using the Black Scholes method. The Company notes that 5,000,000 of the Related Party Options will be issued subject to the vesting condition such that one third of the Related Party Options will only vest to Mr Bearden (or his nominee) on the date falling 12 months after their issue.

15	Accumulated Losses	2021	2020
		\$	\$
	Movements in accumulated losses:		
	Balance at the beginning of the period	(34,631,098)	(25,813,579)
	Net profit/(loss) from continuing operations	(3,743,157)	(8,817,519)
	Balance at the end of the year	(38,374,255)	(34,631,098)

16 Dividends

There were no dividends recommended or paid during the financial year (2020: nil).

17 Related Party Transactions

The amount of remuneration paid to related parties during the financial year is set out in the *Audited Remuneration* section of the *Directors' Report*.

Compensation of key management personnel

	2021	2020
	\$	\$
Short-term employee benefits	446,324	483,404
Share based payments	963,104	-
Post-employment benefits	-	-
	1,409,428	483,404

Notes to the Consolidated Financial Statements (continued)

30 June 2021

17 Related Party Transactions (continued)

There are no outstanding loans to or from related parties and no outstanding balances arising from sales / purchases of goods and services to or from related parties.

Helios Operating LLC, Helios Energy USA Ltd, Helios Energy (China) Ltd and Helios Energy Holdings Ltd are wholly owned subsidiaries (100%) of Helios Energy Limited. Transactions between the entities are eliminated upon consolidation.

Other Transactions with Directors and Key Management Personnel

There were no other transactions with Directors and Key Management Personnel during the year (2020: \$Nil).

18 Remuneration of Auditors

Assurance Services	2021	2020
<i>Audit Services</i>	\$	\$
Amounts paid/payable to BDO Audit (WA) Pty Ltd for audit and review of the financial reports	37,885	38,408
<i>Non-Audit Services</i>		
Amounts paid/payable to BDO Corporate Tax (WA) Pty Ltd for taxation services	7,725	7,725

Notes to the Consolidated Financial Statements (continued)

30 June 2021

19	Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities	2021	2020
		\$	\$
	(Loss) for the year	(3,743,157)	(8,817,519)
	Non cash items		
	Non cash fair value loss on investments	404,054	52,250
	Foreign exchange gain	(168,841)	-
	Share based payment	963,104	-
	Impairment expense	-	5,769,025
	Depreciation expense	1,555	1,082
	Changes in operating assets and liabilities:		
	Net movement in trade receivables and payables		
	Decrease/(Increase) in trade and other receivables	88,125	(114,916)
	(Increase)/Decrease in prepayments	(307,543)	6,500
	(Decrease) in trade and other payables	(43,699)	(1,556,003)
	Net cash outflow from operating activities	(2,806,402)	(4,659,581)
	Non-cash investing and financing activities		
	Issue of ordinary shares for capital raising services	55,500	25,545
	Issue of listed options for capital raising services	-	3,000
		55,500	28,545

Refer to note 14 for share based payments.

20 Earnings Per Share

(a)	Reconciliation of earnings to loss	2021	2020
		\$	\$
	(Loss)/Profit after tax	(3,743,157)	(8,817,519)
	Earnings used to calculate earnings per share	(3,743,157)	(8,817,519)
(b)	Weighted Average Number of Shares	2021	2020
		Number	Number
	Weighted average number of ordinary shares used as the denominator in calculating basic profit / (loss) per share	1,578,476,712	1,521,173,975
	Basic earnings per share	(0.24)	(0.58)

The effect of the potential ordinary shares is anti-dilutive in the calculation of Earnings per Share in the year ending 30 June 2021, and therefore are not included in the calculation of diluted earnings per share. The options could potentially dilute earnings per share in the future.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

21 Commitments and Contingent Liabilities

As part of the acquisition of the Presidio Oil Project there are contingent royalty payments as mentioned below:

Presidio Oil Project

Further Leases and Oil Wells to those acquired at acquisition date will be on a 'heads up' basis being 70% to the cost of Helios and 30% to the cost of the vendors (and/or their nominee/s). Helios will earn a NRI of 52.50% of 8/8ths (being 70% of a NRI of 75%) in all additional oil and gas leases or drilling of oil wells acquired by the joint venture. The mineral rights owners and vendors in aggregate will retain a gross revenue royalty, on industry standard terms, equal to 25% of the oil and gas produced or won from the Presidio Leases and any Further Leases and Oil Wells acquired by the joint venture within a 50 kilometre radius of the Presidio Leases.

22 Events Occurring After Reporting Date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by governments (Federal, State and local) both in the USA and Australia, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Completion of \$4,862,500 Capital Raising

On 21 July 2021, Helios conducted a capital raising of \$4,862,500 by way of the issue of 32,416,668 shares at a price of 15 cents per share (**Placement**). The Placement was made to sophisticated and professional investors under the provisions of section 708 of the Corporations Act 2001 (Cth). The Placement was conducted within the 15% placement capacity available to the Company in accordance with ASX Listing Rule 7.1. The Placement was jointly managed by CPS Capital Group Pty Ltd and Gleneagle Securities Pty Ltd. The funds raised from the Placement will be used for working capital purposes and to purchase additional oil and gas leases in the Presidio Oil Project located in Presidio County, Texas, USA.

Since balance date 62,583,334 options have been converted to shares to the value of \$1,251,667.

There have been no other significant events subsequent to the end of the financial year to the date of this report.

Notes to the Consolidated Financial Statements (continued)

30 June 2021

23 Helios Energy Ltd Parent Company Information

Statement of financial position	2021	2020
	\$	\$
Assets		
Total current assets	9,259,053	3,013,313
Total non current assets	27,822,232	28,056,490
Total assets	37,081,285	31,069,803
Liabilities		
Total current liabilities	160,184	121,486
Total liabilities	160,184	121,486
Net Assets	36,921,101	30,948,317
Equity		
Contributed equity	74,840,475	63,835,711
Option premium reserve	1,364,904	401,800
Accumulated losses	(39,284,278)	(33,289,194)
Total Equity	36,921,101	30,948,317

24 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Country of Incorporation	Class of shares	Equity holding 2021	Equity holding 2020
Helios Energy USA, Ltd ¹	USA	Ordinary	100%	100%
Helios Operating, LLC	USA	Ordinary	100%	100%
Helios Energy (China) Ltd ²	CHINA	Ordinary	100%	-
Helios Energy Holdings Ltd ³	CAYMAN ISLANDS	Ordinary	100%	100%

¹ Holding company for Helios Operating, LLC

² Helios Energy (China) Ltd was registered in Beijing China 22 Sept 2020, as a 100% subsidiary entity of Helios Energy Holdings Ltd. In January 2021, the company opened a regular banking account with HSBC Bank (China) Beijing Branch.

³ Helios Energy Holdings Ltd was incorporated in Cayman Island, B.V.I on 23 May 2018, as a shell company, with Helios Energy USA Ltd being 100% shareholder. the company opened a regular banking account with HSBC Bank (China) Beijing Branch.

Director's Declaration

30 June 2021

The Directors' of the Company declare that:

- 1 The financial statements and notes as set out on pages 16 to 42 are in accordance with the *Corporations Act 2001*, and
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the financial position of the Group as at 30 June 2021 and of its performance for the year ended on that date.
- 2 The Managing Director has given the declarations required by S295A of the *Corporations Act 2001*.
- 3 The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- 4 In the opinion of the directors' there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Richard He
Managing Director
30 September 2021

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the members of Helios Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Helios Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Value of Exploration and Evaluation Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 30 June 2021, the Group held a significant carrying value of Exploration and Expenditure Assets as disclosed in Note 1 (l) and Note 11 of the Financial report.</p> <p>As the carrying value of these Exploration and Evaluation Assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> as disclosed in Note 3.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none">• Obtaining a schedule of the area of interest held by the Group and assessing whether the rights to tenure of the area of interest remained current at balance date;• Considering the status of the ongoing exploration programmes in the area of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes;• Considering whether the area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;• Considering whether any facts or circumstances existed to suggest further impairment testing was required; and• Assessing the adequacy of the related disclosures in Note 1 (l) and Note 11 to the Financial Report.

Independent Auditor's Report



Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Independent Auditor's Report



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 13 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Helios Energy Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO
J Prue

Jarrad Prue

Director

Perth, 30 September 2021

Corporate Governance Statement

30 June 2021

Corporate Governance Statement

Helios Energy Ltd, its wholly owned subsidiaries (the Group) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

The disclosure of corporate governance practices can be viewed on the Company website at <http://www.heliosenergyLtd.com/>

The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Board.

Corporate Governance Compliance

A description of the Group's main corporate governance practices are set out below. The Group has considered the ASX Corporate Governance Principles and Recommendations (4th edition) to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX Principles and Recommendations	"If not, why not"
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 1.3	✓	
Recommendation 1.4	✓	
Recommendation 1.5		✓
Recommendation 1.6		✓
Recommendation 1.7		✓
Recommendation 2.1		✓
Recommendation 2.2	✓	
Recommendation 2.3	✓	
Recommendation 2.4		✓
Recommendation 2.5		✓
Recommendation 2.6	✓	
Recommendation 3.1	✓	
Recommendation 3.2	✓	
Recommendation 3.3	✓	
Recommendation 3.4	✓	
Recommendation 4.1		✓
Recommendation 4.2	✓	
Recommendation 4.3	✓	
Recommendation 5.1	✓	
Recommendation 5.2	✓	
Recommendation 5.3	✓	
Recommendation 6.1	✓	
Recommendation 6.2	✓	
Recommendation 6.3	✓	
Recommendation 6.4	✓	
Recommendation 6.5		✓

Corporate Governance Statement (continued)

30 June 2021

Disclosure of Corporate Governance Practices (continued)

Summary Statement (continued)

	ASX Principles and Recommendations	"If not, why not"
Recommendation 7.1		✓
Recommendation 7.2	✓	
Recommendation 7.3		✓
Recommendation 7.4	✓	
Recommendation 8.1		✓
Recommendation 8.2	✓	
Recommendation 8.3	✓	
Recommendation 9.1	N/A	
Recommendation 9.2	N/A	
Recommendation 9.3	✓	

Disclosure – Principles & Recommendations - financial year 2020/2021

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

A listed entity should have and disclose a board charter setting out:

- (a) the respective roles and responsibilities of its board and management; and*
- (b) those matters expressly reserved to the board and those delegated to management.*

Disclosure:

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Managing Director (who acts in the capacity as CEO).

The matters that the Board has specifically reserved for its decision are:

- the appointment and management of the CEO;
- approval of the overall strategy and annual budgets of the business;
- overseeing the accounting and corporate reporting systems, including the external audit; and
- compliance with constitutional documents.

The CEO is delegated the authority to ensure the effective day-to-day management of the business and the Board monitors the exercise of these powers. The CEO is required to report regularly to the Board on the performance of the Business.

Recommendation 1.2:

A listed entity should:

- (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and*
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

Disclosure:

The Company undertakes checks on any person who is being considered as a director. These checks may include character, experience, education and financial history and background.

All security holder releases will contain material information following the guidance contained in the ASX Corporate Governance Principles and Recommendations (3rd edition) about any candidate to be elected for the first time or re-elected to enable an informed decision to be made.

Corporate Governance Statement (continued)

30 June 2021

Recommendation 1.3:

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Disclosure:

Each senior executive and executive director has a formal employment contract and the non-executive directors have a letter of appointment including a director's interest agreement with respect to disclosure of security interests.

Recommendation 1.4:

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Disclosure:

The Company Secretary has a direct reporting line to the Board, through the Chair.

Recommendation 1.5:

A listed entity should:

- (a) have and disclose a diversity policy;*
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and*
- (c) disclose in relation to each reporting period:*
 - (1) the measurable objectives set for that period to achieve gender diversity;*
 - (2) the entity's progress towards achieving those objectives; and*
 - (3) either:*
 - (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or*
 - (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.

Corporate Governance Statement (continued)

30 June 2021

Disclosure:

The Board supports diversity but the Group has not yet developed a policy. It is the Board's intention to develop a policy at a time when the size of the Group and its activities warrants such a structure.

There are currently no women employees in the organization.

Recommendation 1.6:

A listed entity should:

- (a) *have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- (b) *disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.*

Disclosure:

The Chairman is responsible for evaluating the performance of the Board, its committees and individual directors. This is generally done through a meeting with the Chair.

The review is currently informal but is based on a review of goals for the Board and individual Directors. The goals are based on corporate requirements and any areas for improvement that may be identified. The Chairman will provide each Director with confidential feedback on his or her performance. There was no formal performance evaluation during the financial year.

Recommendation 1.7:

A listed entity should:

- (a) *have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and*
- (b) *disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.*

Disclosure:

The Board is responsible for evaluating the senior executives. Induction procedures are in place and senior executives have formal job descriptions which includes the process for evaluating their performance.

There was no formal performance evaluation of the senior executives during the financial year.

Principle 2 – Structure the board to add value

Recommendation 2.1:

The board of a listed entity should:

- (a) *have a nomination committee which:*
 - (1) *has at least three members, a majority of whom are independent directors; and*
 - (2) *is chaired by an independent director,**and disclose:*
 - (3) *the charter of the committee;*
 - (4) *the members of the committee; and*
 - (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

Disclosure:

A nomination committee has not been established. The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.

Corporate Governance Statement (continued)

30 June 2021

Recommendation 2.2:

A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

Disclosure:

The Board Charter provides that the Board will review capabilities, technical skills and personal attributes of its directors. It will normally review the Board's composition against those attributes and recommend any changes in Board composition that may be required.

	Non-executive chairman	Managing director	Non-executive directors	Company Secretary
Leadership	X	X	X	X
Strategy / Risk	X	X	X	X
Communication	X	X	X	X
Fundraising	X	X	X	X
Mining Industry	X	X	X	X
Governance	X	X	X	X
Health, safety and environment		X		X
Financial acumen	X	X	X	X

Recommendation 2.3:

A listed entity should disclose:

- the names of the directors considered by the board to be independent directors;*
- if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and*
- the length of service of each director.*

Disclosure:

There are two members of the Board which are considered to be classified as an independent directors. They are Robert Bearden and Nicholas Ong. The dates of appointment as a director are contained in the Directors' Report.

Recommendation 2.4:

A majority of the Board of a listed entity should be independent directors.

Disclosure:

The Group does not have a majority of independent directors.

Consistent with the size of the Group and its activities, the Board is comprised of four directors, two of whom are currently considered to be an independent directors.

The Board's policy is that the majority of directors shall be independent, non-executive directors. The composition of the Board does not currently conform to its policy. It is the Board's intention to comply with its policy at a time when the size of the Group and its activities warrants such a structure.

Recommendation 2.5:

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Disclosure:

Hui Ye acts as Chair of the Board. He is not independent. It is the Board's intention to comply with its policy at a time when the size of the Group and its activities warrants such a structure.

Corporate Governance Statement (continued)

30 June 2021

Recommendation 2.6:

A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

Disclosure:

The Board Charter provides for induction and professional development for the Board.

Principle 3 – Act ethically and responsibly

Recommendation 3.1:

A listed entity should articulate and disclose its values.

Disclosure:

The Company has a Code of Conduct that applies to all Directors, senior executives, employees and contractors.

Recommendation 3.2:

A listed entity should:

- (a) *have and disclose a code of conduct for its directors, senior executives and employees; and*
- (b) *ensure that the board or a committee of the board is informed of any material breaches of that code.*

Disclosure:

The Board is committed to the establishment and maintenance of appropriate ethical standards.

To that end, the Board has established a Code of Conduct for its directors, senior executives and employees. The Code of Conduct consists of the following:

- (a) Conflict of Interest
 - The Board maintains a Conflict of Interest register and Directors are expected to declare any new conflict of interest at the start of each board meeting.
- (b) Continuous Disclosure Policy
 - The Board continues to disclose to the market of any maintains a Conflict of Interest register and Directors are expected to declare any new conflict of interest at the start of each board meeting.
- (c) Share Trading Policy
 - The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.
- (d) Diversity and Inclusion Policy
 - The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

To ensure that the Board is informed of any material breaches of the Code, the Board requires a report on compliance with the Code on a regular basis.

Corporate Governance Statement (continued)

30 June 2021

Recommendation 3.3:

A listed entity should:

- (a) *have and disclose a whistleblower policy; and*
- (b) *ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

Disclosure:

The Board has in place a Whistleblower Policy, which is available on the Company's website and provided to all employees. The Board requires a report on any incidents (subject to anonymity requests) on a regular basis.

Recommendation 3.4:

A listed entity should:

- (a) *have and disclose an anti-bribery and corruption policy; and*
- (b) *ensure that the board or committee of the board is informed of any material breaches of that policy.*

Disclosure:

The Board has in place an Anti-bribery and Corruption Policy, which is available on the Company's website and provided to all employees. The Board requires a report on any breaches on a regular basis.

Principle 4 – Safeguard the integrity of corporate reports

Recommendation 4.1

The board of a listed entity should:

- (a) *have an audit committee which:*
 - (1) *has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
 - (2) *is chaired by an independent director, who is not the chair of the board,*
and disclose:
 - (3) *the charter of the committee;*
 - (4) *the relevant qualifications and experience of the members of the committee; and*
 - (5) *in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

Disclosure:

An audit committee has not been established. The role of the Audit Committee has been assumed by the full Board operating under the Audit Committee Charter adopted by the Board.

Recommendation 4.2

The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Disclosure:

The financial statements for the Half Year and Year End periods are tabled by the MD and CFO at the Board meeting for review and approval.

Corporate Governance Statement (continued)

30 June 2021

Recommendation 4.3

A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

Disclosure:

The financial or other factual information in the Appendix 5B Quarterly Cash Flow reports must be verified by the CFO and MD, and submitted to the Board for review and approval.

The Board then approves and authorises the Company Secretary to release the publication of the report to the ASX for further dissemination.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

Disclosure:

The Board Charter contains the policies designed to ensure compliance with ASX Listing Rule disclosure.

The Company is committed to promoting investor confidence and the rights of all shareholders by complying with the disclosure obligations contained in the Corporations Act and the ASX Listing Rules.

The aim is to ensure that all market announcements are presented in a factual, clear and balanced way.

Recommendation 5.2:

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

Disclosure:

The Company Secretary and/or MD is responsible for providing its Board with copies of all material market announcements promptly after they have been made.

Recommendation 5.3:

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

Disclosure:

The Company Secretary is responsible for uploading new and substantive investor or analyst presentations on the ASX Market Announcements Platform ahead of the presentation.

Corporate Governance Statement (continued)

30 June 2021

Principle 6 – Respect the rights of security holders

Recommendation 6.1:

A listed entity should provide information about itself and its governance to investors via its website.

Disclosure:

The Company has a website for making this information available to shareholders and investors.

Recommendation 6.2:

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

Disclosure:

The Company encourages shareholders to attend and participate in general meetings and will make itself available to meet shareholders and regularly responds to enquiries made via telephone and in writing.

Recommendation 6.3:

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

Disclosure:

The Company encourages shareholders to attend and participate in general meetings. As a junior company the shareholder attendance numbers are low however, if a shareholder wishes to provide a comment or question and is not able to attend the meeting, the Company will address this as part of the meeting.

Recommendation 6.4:

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands

Disclosure:

The Company confirms that it will ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

Recommendation 6.5:

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Disclosure:

The Company is currently reviewing and implementing a strategy to receive communications from, and send communications, to its shareholders.

Corporate Governance Statement (continued)

30 June 2021

Principle 7 – Recognise and manage risk

Recommendation 7.1:

The board of a listed entity should:

- (a) *have a committee or committees to oversee risk, each of which:*
- (1) *has at least three members, a majority of whom are independent directors; and*
 - (2) *is chaired by an independent director,*
- and disclose:*
- (3) *the charter of the committee;*
 - (4) *the members of the committee; and*
 - (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

Disclosure:

The Board has adopted a Risk Management Policy. There is no risk management committee and this role is undertaken by the Board who consider this at Board meetings. The overall basis for risk management is to provide recommendations about:

1. Assessing the internal processes for determining and managing key risk areas, particularly:
 - non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;
 - litigation and claims; and
 - relevant business risks other than those that are dealt with by other specific Board Committees.
2. Ensuring that the Group has an effective risk management system and that major risks to the Group are reported at least annually to the Board.
3. Receiving from management reports on all suspected and actual frauds, thefts and breaches of laws.
4. Evaluating the process the Group has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
5. Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
6. Meeting periodically with key management, internal and external auditors and compliance staff to understand and discuss the Group's control environment.

Recommendation 7.2:

The board or a committee of the board should:

- (a) *review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and*
- (b) *disclose, in relation to each reporting period, whether such a review has taken place.*

Disclosure:

The Board meets to discuss the operating activities and risk assessment is part of this process. Risks are considered including but not limited to strategic, operational, legal, reputation and financial risks. This is an on-going process rather than an annual formal review.

Corporate Governance Statement (continued)

30 June 2021

Recommendation 7.3:

A listed entity should disclose:

- (a) *if it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.*

Disclosure:

The Company does not have an internal audit function but reviews its risk management and internal control processes on a regular basis.

Recommendation 7.4:

A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

Disclosure:

The Company is of the view that it has adequately disclosed the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. Other than general risks associated with the oil and gas exploration industry, the Company does not currently have material exposure to environmental and social sustainability risks.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The board of a listed entity should:

- (a) *have a remuneration committee which:*
 - (1) *has at least three members, a majority of whom are independent directors; and*
 - (2) *is chaired by an independent director,**and disclose:*
 - (3) *the charter of the committee;*
 - (4) *the members of the committee; and*
 - (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

Disclosure:

A Remuneration Committee has not been established. The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.

Recommendation 8.2:

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Disclosure:

The Company provides disclosure of all Directors and executives remuneration in its annual report.

Corporate Governance Statement (continued)

30 June 2021

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Group. There are no documented agreements providing for termination or retirement benefits to non-executive directors (other than for superannuation).

Executive directors and senior executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness. Long term performance incentives may include performance and production bonus payments, shares and / or options granted at the discretion of the Board and subject to obtaining the relevant approvals.

Recommendation 8.3:

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) disclose that policy or a summary of it.*

Disclosure:

The Company does not have an equity based remuneration scheme which is affected by this recommendation.

Recommendation 9.1

A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.

Disclosure:

The Company does not have a director in this position and this recommendation is therefore not applicable.

Recommendation 9.2

A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.

Disclosure:

The Company is established in Australia and this recommendation is therefore not applicable.

Recommendation 9.3

A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Disclosure:

The Company's Auditor receives a Notice of Meeting, and attends the Annual General Meeting.

Shareholder Information

30 June 2021

The shareholder information set out below was applicable as at 29 September 2021:

1 Distribution of Equity Securities

Analysis of numbers of security holders by size of holding:

			Number
1	-	1,000	68
1,001	-	5,000	128
5,001	-	10,000	111
10,001	-	100,000	480
100,001	-	and over	464
			<u>1,251</u>

There were 109 holders of less than a marketable parcel of ordinary shares.

2 Substantial Holders

Substantial holders of equity securities, ordinary shares, in the Company are set out below as at 29 September 2021:

Ordinary Shares (Holders with 5% or more)

Name	Number held	Percentage of issued shares
Notable Pioneer Limited	473,998,197	27.14%
Mr Wentao Zhao	132,128,957	5.73%

3 Listed Option Holders

Options expiring 31/12/2021 @ \$0.02
(Holders with 5% or more)

Name	Number held	Percentage of listed options
Antlers Energy Corporation	168,000,000	19.59%
PAA Energy LLC	161,750,000	18.86%
Notable Pioneer Limited	131,578,162	15.34%
RPM Texas LLC	80,000,000	9.33%

4 Unlisted Option Holders

Unlisted Options expiring 31/12/2021 @ \$0.15
(Holders with 5% or more)

Name	Number held	Percentage of unlisted options
Gleneagle Securities (Aust) Pty Ltd	3,290,000	32.90%
JB Toro Pty Ltd	1,655,480	16.55%
Exit Out Pty Ltd <The Discretionary A/C>	1,645,000	16.45%
Pillaiyar Pty Ltd <Thiru A/C>	1,645,000	16.45%
Mr Jason Jonathan Lal	500,000	5.00%

Shareholder Information

30 June 2021

4 Unlisted Option Holders (continued) Unlisted Options expiring 31/12/2021 @ \$0.10 (Holders with 5% or more)

Name	Number held	Percentage of unlisted options
Exit Out Pty Ltd <The Discretionary A/C>	1,844,935	20.15%
Gleneagle Securities (Aust) Pty Ltd	1,844,935	20.15%
Pillaiyar Pty Ltd <Thiru A/C>	1,844,935	20.15%
JB Toro Pty Ltd	1,500,000	16.38%
Tolly & Lilla Sakellariou Pty Ltd <Sakellariou Super Fund A/C>	1,090,195	11.91%

Unlisted Options expiring 31/12/2022 @ \$0.22 (Holders with 5% or more)

Name	Number held	Percentage of unlisted options
Gleneagle Securities (Aust) Pty Ltd	2,000,000	40%
Exit Out Pty Ltd <The Discretionary A/C>	1,000,000	20%
JB Toro Pty Ltd	1,000,000	20%
Pillaiyar Pty Ltd <Thiru A/C>	1,000,000	20%

Unlisted Options expiring 31/12/2025 @ \$0.255 (Holders with 5% or more)

Name	Number held	Percentage of unlisted options
Mr Robert G Bearden	15,000,000	100%

5 Performance rights

Name	Number held	Percentage of unlisted options
PAA Energy LLC	50,100,000	20.88%
JDK Nominees Pty Ltd	44,750,000	18.65%
PF Petroleum Pty Ltd	44,750,000	18.65%
Lugano Holdings LLC	36,750,000	15.31%
Trend E&P LLC	36,750,000	15.31%
RPM Texas LLC	18,900,000	7.88%

6 Voting Rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary Shares

Every member present at a meeting in person or by proxy shall have one vote for each share conducted via a poll.

Shareholder Information

30 June 2021

6 Voting Rights (continued)

Options

These securities have no voting rights.

Performance rights

These securities have no voting rights.

7 Equity Security Holders

The names of the twenty largest holders of ordinary shares as of 29 September 2021 are listed below:

Rank	Name	Number of shares	%
1	Notable Pioneer Limited	473,998,197	27.14
2	Mr Wentao Zhao	132,128,957	7.57
3	CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	81,909,777	4.69
4	Mr Zhiqiang Shan	80,975,528	4.64
5	PF Petroleum Pty Ltd	77,525,000	4.44
6	PAA Energy LLC	75,138,072	4.30
7	Ichi Investments Inc	52,824,417	3.02
8	JDK Nominees Pty Ltd	51,526,084	2.95
9	RIGI Investments Pty Ltd <The Cape A/C>	42,910,000	2.46
10	Mr Jidong Zhang	33,010,720	1.89
11	Ms Huiru Chen	30,575,000	1.75
12	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	30,510,935	1.75
13	Trend E&P LLC	30,247,794	1.73
14	Lugano Holdings LLC	29,343,735	1.68
15	Mr Xiaoping Zhou	22,509,128	1.29
16	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	16,367,444	0.94
17	Loyal Express International Limited	16,030,535	0.92
18	Mr Xiaofeng Huang	15,949,667	0.91
19	The LF Point Pty Ltd <Point A/C>	14,325,000	0.82
20	Chatsworth Stirling Pty Ltd	12,500,000	0.72

8 On-Market Buy-Back

There is no current on-market buy-back.

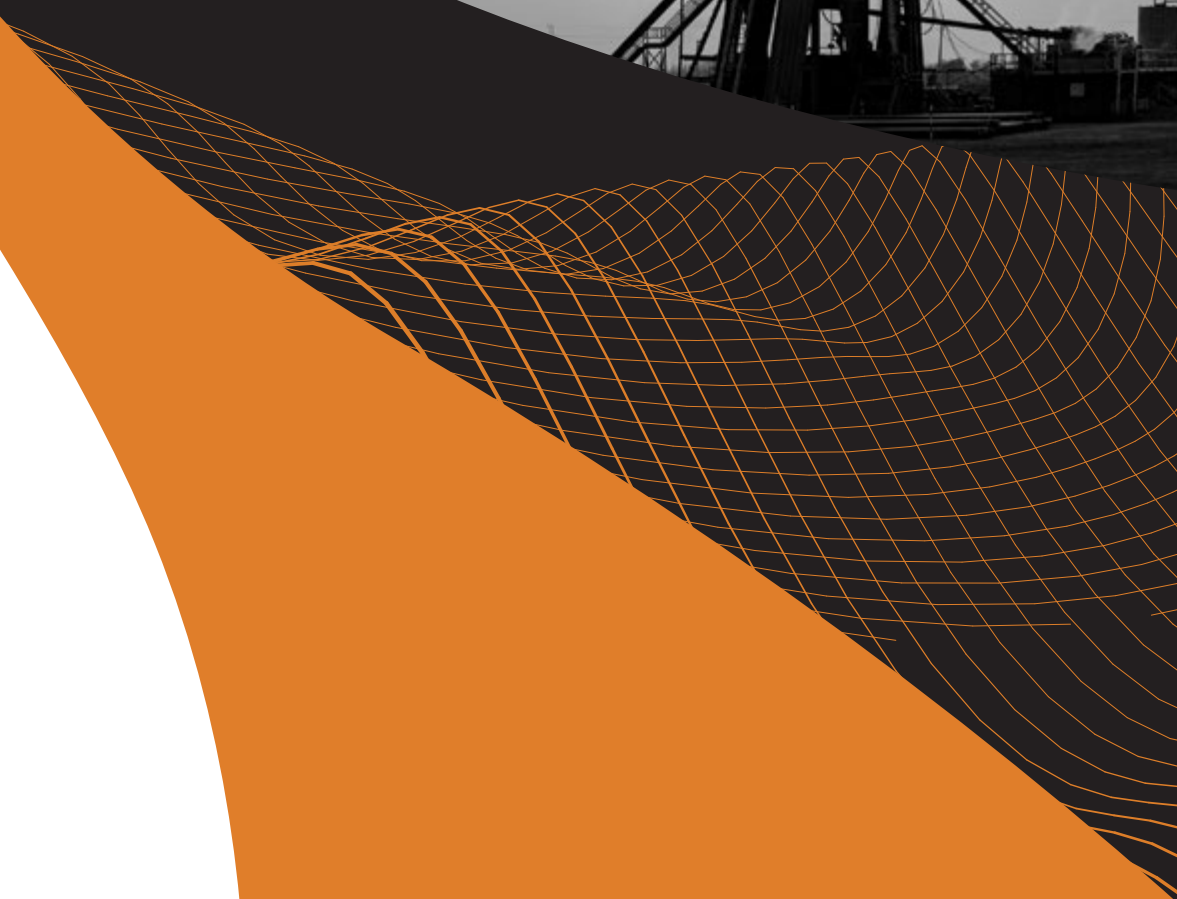
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